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# FINANCIAL TIMES

World Business Newspaper http://www.FT.com WEDNESDAY NOVEMBER 18 1998

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**FT Telecoms**
Mobile phone boom still looks unstoppable
Separate section

## WORLD NEWS

### Watchdog attacks EU's record on nuclear safety

The European Union's spending watchdog has savaged the EU's eight-year-old programme to improve nuclear safety, portraying it as wasteful, muddled and ineffective. Of Ecu850m ($990m) earmarked for nuclear safety in 1990-1997, less than half has in fact been spent, a report says. **European news, Page 3**

**Turkish PM faces censure vote**
The fate of Mesut Yilmaz, Turkey's prime minister, will be decided in a censure vote on November 25 in connection with corruption allegations. **European news, Page 2**

**Mideast accord back on track**
Implementation of the Wye Plantation peace accord may begin after all this week after Yassir Arafat, president of the Palestinian Authority, reassured Benjamin Netanyahu, Israeli prime minister, he had no intention of using violence to achieve his goals. **International news, Page 4**

**Japanese debt downgraded**
Moody's, the US credit rating agency, downgraded Japan's sovereign debt because of fears that the government would not be able to resolve the country's economic problems soon. **Page 20; Observer, P19; Toyota rating cut, International capital markets, Page 28**

**Saddam 'will outlast Clinton'**
Iraq yesterday attacked suggestions by US and UK leaders that the regime of President Saddam Hussein should be overthrown, and promised that the Iraqi leader would last in office much longer than President Bill Clinton. **International news, Page 4**

**China moves to speed WTO entry**
Chinese president Jiang Zemin and US vice-president Al Gore agreed to try to speed China's World Trade Organisation entry. **Asia-Pacific news, Page 6**

**Pinochet must stay in hospital**
General Augusto Pinochet, the former Chilean dictator, will remain detained in a private London hospital while Britain's highest court decides whether to approve his extradition to Spain, it was decided yesterday. **American news, Page 6**

**German employers call for change**
German employersyesterday insisted drastic changes to the government's controversial tax package must top the agenda of Chancellor Gerhard Schröder's planned "alliance for jobs" combining business, unions and the state. **European news, Page 3**

**Congress releases Lewinsky tapes**
The US public was treated to the sound of Monica Lewinsky's voice when Congress released copies of taped telephone conversations between the former White House worker and Linda Tripp. **American news, Page 6**

**Schröder in talks with Yeltsin**
Gerhard Schröder, German chancellor, yesterday talked for an hour with Boris Yeltsin, Russia's ailing president in Moscow. **European news, Page 3**

**Uefa's football plan accepted**
The threat of a breakaway football super league in Europe appeared to be averted yesterday when 14 of the continent's biggest clubs agreed to accept a revamp of the elite Champions League competition by Uefa, soccer's European governing body. **European news, Page 2**

## BUSINESS NEWS

### Danger of world financial turmoil receding says OECD

The world economy is in less danger from financial turmoil than it was a few weeks ago, but risks to growth next year remain high, according to forecasts by the Organisation for Economic Co-operation and Development. **Page 20; Perils of turbulence, Page 4; Growth warning, Page 13; Complacency trap, Page 18**

**Hoechst** of Germany jettisoned most of its remaining industrial chemicals businesses. The move could pave the way for a merger with Rhône-Poulenc of France. **Companies and markets, Page 21**

**Volvo**, Swedish automotive group, said it was proceeding with a strategic overhaul that could lead to heavy redundancies. The company is struggling to lift operating margins in the face of weakening demand. **European companies, Page 22; Lex, Page 20**

**NTT**, Japan's largest telecoms group, is taking a charge of Y460bn ($3.8bn) against first-half profits because of a change in the way it reports its pension liabilities. **Companies and markets, Page 21**

**Rauma** and Valmet, Finnish engineering groups, announced a merger to create one of the world's largest producers of forestry equipment and paper-making machinery. **European companies, Page 22**

**Wells Fargo**, third largest US bank by market value following the merger of Minnesota-based Norwest Financial with Wells Fargo of San Francisco, expects to take three years to integrate the businesses because of the year 2000 problem. **Companies and markets, Page 21**

**UBS** indicated that the potential losses on its controversial global equity derivatives trading prior to this summer's merger with Swiss Bank Corporation probably topped SFr1.5bn ($1.1bn). **European companies, Page 22**

**Roche**, Swiss pharmaceuticals group, had sales of Tasmar, a new drug for the treatment of Parkinson's disease, stopped by the European Union. **Companies and markets, Page 21**

**De La Rue**, UK banknotes, cards and cash business, said its results were "horrible and unacceptable", as it reported interim pre-tax profits of £7.8m ($13.1m), down from £42.3m. **UK companies, Page 26**

**OMV**, Austrian oil and chemicals group said third quarter earnings were hit by weak prices and the sale of its plastics unit, and the market outlook for the fourth quarter was even bleaker. **European companies, Page 22**

**Fujita**, Japanese second-tier construction company, warned that it would take a Y150bn ($1.25bn) charge to restructure its troubled affiliates. **Asia-Pacific companies, Page 23**

**General Sekiyu**, Japanese petrol group affiliated with Esso of the US, is to post its first interim loss for more than 10 years. **Asia-Pacific companies, Page 23**

**Euro Prices**
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. **Page 27**

# Fed cuts rates for third time in two months

By Gerard Baker in Washington

The Federal Reserve yesterday cut interest rates for the third time in less than two months in a further effort to shield the US economy from the effects of the international financial turmoil of the past year.

The central bank cut the target for its key federal funds rate by a quarter of one percentage point to 4.75 per cent. The discount rate was cut by the same amount to 4.5 per cent.

The Fed's policymaking open market committee said: "Although conditions in financial markets have settled down materially since mid-October, unusual strains remain."

Stocks on Wall Street rebounded minutes after the afternoon announcement, shrugging off a cautious morning that saw most sectors trading lower and the Dow Jones Industrial Average more than 80 points lower at one point. The positive turn sent the Dow up 21.88 to 9,033.13. Treasury bonds were more cautiously positive, with the benchmark long bond slightly higher, up ¼ to 99$\frac{11}{32}$, yielding 5.273 per cent.

Faced with mounting international turmoil, the Fed reduced short-term interest rates at the previous meeting of the open market committee in September, and then surprised financial markets with another quarter-point easing two weeks later. That second cut did not follow a committee meeting, but was implemented by Alan Greenspan, the Fed chairman, after consultation with other committee members, and was widely interpreted as a sign of the central bank's concern about the economy.

The Fed's main worry at the time was the fragile state of confidence in financial markets. Following the collapse of the Russian economy over the summer and renewed fears about events in Asia, Mr Greenspan noted that financial institutions were shying away from risk, and seeking safety and liquidity.

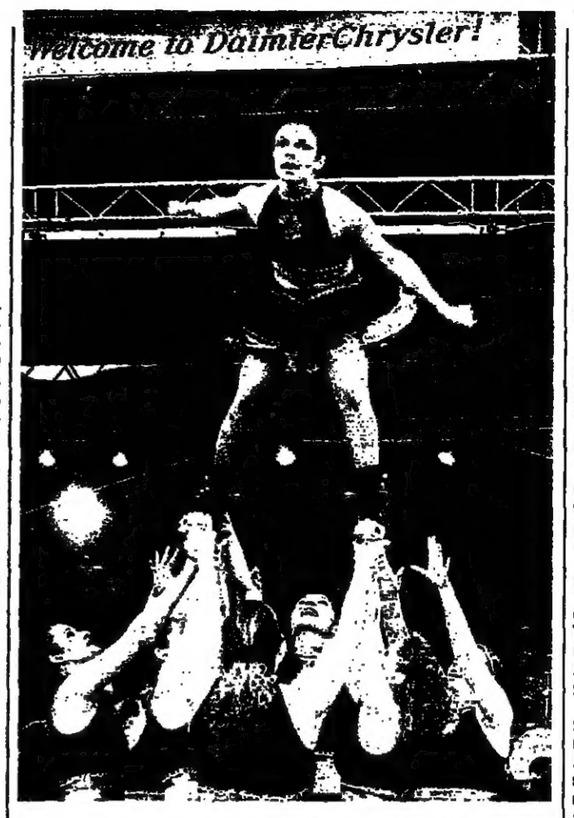
That raised the risk of a serious tightening of credit conditions in the US economy, and the Fed responded with an aggressive easing of policy.

But since that second rate cut, financial markets have stabilised, investors have recovered their faith in risk-taking and conditions in credit markets have improved.

The Dow Jones Industrial Average has risen by almost 15 per cent and was yesterday less than 3 per cent off its peak of last summer.

Meanwhile the US economy has continued to expand at a solid rate in spite of the international turbulence.

Inflation subdued, Page 8
Martin Wolf, Page 18
Lex, Page 20




Razzmatazz greets DaimlerChrysler launch

German cheerleaders performed for employees at carmaker Daimler Benz in Stuttgart, at the official launch of new concern DaimlerChrysler.

Meanwhile, in New York, chaos on the narrow streets around the stock exchange rivalled the hubbub on the trading floor as the DaimlerChrysler roadshow drove into town.

Traders and clerks battled their way past a mammoth truck cab, a helicopter and any number of sports cars - heralding the stockmarket launch of the $75bn merged company.

DaimlerChrysler shares had a more muted reception, with the price slipping $1$\frac{3}{8}$ to $83$\frac{1}{8}$ during the morning session.

Report, Page 24 Picture: AP

# EU steel groups to seek import protection

By Kevin Brown in London

European Union steelmakers will this week ask the European Commission for protection against cheap steel imports from a number of Asian and other countries.

The request, which follows similar demands by US steelmakers, reflects concern about tumbling prices as steel that cannot be sold in the stricken economies of much of Asia is redirected to Europe and North America.

British Steel revealed on Monday that it had become the latest casualty of the import surge. It reported a 24 per cent cut in first-half pre-tax profits.

Officials of Eurofer, the EU steel companies' association, said the association would file anti-dumping suits against imports of hot rolled coil, used to make industrial products, from Taiwan, India, Iran, South Africa, Bulgaria and Yugoslavia.

It will decide today or tomorrow whether to include complaints against South Korea and Indonesia. Legal advisers are considering whether the countries' exports meet requirements for anti-dumping action.

Further anti-dumping complaints will be filed before the year-end as protection is sought from cheap imports of heavy plate, used in construction.

Officials are also drawing up a complaint about imports of cold rolled sheet steel, used to make home appliances.

Internal Eurofer estimates suggest that imports of hot rolled coil products have increased by 70 per cent in the first eight months of the year, and by up to 500 per cent from some of the countries from which they are seeking protection.

The European complaints follow a sustained campaign for protection by American steelmakers. The US administration is considering their demands for anti-dumping action against Japan, Russia and Brazil.

European steelmakers have responded with informal pressure on the European Commission, culminating in discussions between Ekkehard Schulz, president of Eurofer, and trade commissioner Sir Leon Brittan.

The Commission has 45 days to decide whether formally to investigate the complaints, and a further six months to decide whether to go ahead with anti-dumping duties.

# Gore complaint rocks Apec summit

By Sheila McNulty and Peter Montagnon in Kuala Lumpur

The Asia-Pacific summit of world leaders plunged into disarray after Malaysia, the host nation, issued a formal complaint about interference in its domestic affairs.

Abdullah Ahmad Badawi, Malaysia's foreign minister, yesterday issued a harsh rebuke to Al Gore, US vice-president, for supporting the country's nascent reform movement. But Mr Gore refused to apologise.

"Malaysia finds the incitement by the US government to lawlessness by certain elements within the country to use undemocratic means in order to overthrow a constitutionally elected government most abhorrent," Mr Abdullah said.

Mr Gore stuck by his speech, backing thousands of Malaysians who have taken to the streets in protest against the 17-year rule of Mahathir Mohamad.

"My position is very simple. These economies have some very difficult choices to make for reform to move forward," Mr Gore said. "Democracy and freedom are essential prerequisites. That is the US message, and I am proud to deliver it anywhere I go."

Leaders of the 21-member Asia Pacific Economic Co-Operation forum spent what should have been a day focused on the regional economic crisis taking sides for and against the Malaysian premier and the US vice-president.

Jenny Shipley, prime minister of New Zealand, said such "megaphone diplomacy" was not her government's style and China reiterated its long-held stance of non-interference. But Joseph Estrada, president of the Philippines, stood directly behind Mr Gore, saying, "I think it was a beautiful speech."

Japan moved swiftly to stem the damage. "We do hope that there won't be excessive heightening of the exchanges of rhetoric to the detriment of the relationship of the countries concerned and perhaps, in this context, to the Apec meeting," said Sadaaki Numata, a representative of Japan's prime minister.

Gore speech raises fears, Page 6

# Wall St deals with hedge funds probed

By Tracy Corrigan in New York

US regulators are investigating the dealings with hedge funds of about half a dozen big Wall Street firms earlier this year, amid concern that excessive risk-taking may be threatening financial market stability.

The regulators are focusing on dealings between June and September, covering the period before and during the troubles of Long-Term Capital Management. This is the hedge fund that incurred heavy losses in August and was saved from collapse in September by a bail-out organised by Wall Street investment and commercial banks.

Security and Exchange Commission officials have requested documentation of securities firms' dealings with hedge funds and are visiting firms to scrutinise books.

The examination is the most detailed taken by US regulators of Wall Street firms' relationships with hedge funds. It could pave the way for regulation of the funds – which lie outside the regulators' remit – or result in stricter surveillance of securities firms' exposure to hedge funds.

The examination is believed to be part of the SEC's contribution to the president's working group on financial markets, which has been asked by Congress to look at the reasons for the near-collapse of Long-Term Capital Management. The firm was rescued amid fears that its failure could cause severe market turmoil.

The SEC, the Federal Reserve, the Commodity Futures Trading Commission and the Treasury will all report.

A New York Federal Reserve official said it was looking at how banks evaluate the risks of lending to highly leveraged firms such as hedge funds. He added that guidance offered to banks in April 1994 on this issue may now be updated early next year.

"Our chief goal is investor protection," said an SEC official, who confirmed that the commission was looking at the issue.

The bail-out of the highly-leveraged LTCM has caused concern that Wall Street firms had allowed a hedge fund to leverage its market exposure so much that its demise could have threatened financial stability.

Wall Street firms have said that LTCM did not disclose its positions so they had no clear picture of its overall exposure, which at one stage reached close to $200bn.

Several firms, including Merrill Lynch and Credit Suisse First Boston, have said they are reducing their own risk exposure following the market turmoil surrounding the LTCM debacle.

A number of Wall Street chief executives have admitted their firms placed too great a reliance on collateral held against trades.

Editorial Comment, Page 19

## WORLD MARKETS

| STOCK MARKET INDICES | | |
|---|---|---|
| New York: | | |
| Dow Jones Ind Av | 8,998.19 | (-45.08) |
| Nasdaq Composite | 1,554.64 | (-7.04) |
| Europe and Far East | | |
| CAC40 | 3,601.57 | (-20.28) |
| DAX | 4,702.83 | (-51.14) |
| FTSE 100 | 5,502.7 | (-7.8) |
| Nikkei | 14,413.09 | (-15.27) |
| US RATES | | |
| Federal Funds | 5% | (5.5625%) |
| 3-mth Treas Bills: Yld | 4.44% | (4.519%) |
| Long Bond | 99[illegible] | ([illegible]) |
| Yield | 5.27% | (5.3%) |
| OTHER RATES | | |
| UK: 3-mo Interbank | [illegible] | ([illegible]) |
| UK: 10 yr Gilt | 131.82 | (131.39) |
| France: 10 yr OAT | 133.96 | (133.65) |
| Germany: 10 yr Bund | 104.84 | (104.47) |
| Japan: 10 yr JGB | 108.32 | (108.46) |
| NORTH SEA OIL (Argus) | | |
| Brent Dated | $10.61 | (11.085) |

| GOLD | | |
|---|---|---|
| New York: Comex | 98294.5 | (295.1) |
| London: | 5294.05 | (294.85) |
| EXCHANGE RATES | | |
| Dollar | | |
| New York: | | |
| £ | 1.6768 | (1.677) |
| DM | 1.8661 | (1.8677) |
| FFr | 5.5575 | (5.5595) |
| SFr | 1.3721 | (1.3735) |
| Y | 120.855 | (121.05) |
| London: | | |
| £ | 1.676 | (1.6755) |
| DM | 1.8664 | (1.8688) |
| FFr | 5.5978 | (5.59) |
| SFr | 1.374 | (1.3722) |
| Y | 120.945 | (119.78) |
| Tokyo Close | | Y 120.[illegible] |
| Sterling | | |
| DM | 2.7978 | (2.7928) |

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# WORLD NEWS

## EUROPE

**PRIVATISATION CHARGE** OPPOSITION SAYS YILMAZ USING CRISIS OVER EXTRADITION OF KURDISH LEADER TO STAY IN POWER

# Date set for Turkish PM censure vote

By Christopher de Bellaigue in Ankara

The fate of Mesut Yilmaz, Turkey's prime minister, will be decided in a vote of censure on November 25 in connection with corruption allegations, Turkey's parliament decided yesterday.

The decision comes in the middle of a diplomatic row with Italy, in which Ankara is trying to persuade Rome to extradite Abdullah Ocalan, leader of the Kurdish PKK movement and Turkey's most wanted man. Mr Yilmaz has been accused of using the crisis to stay in power.

In the likely event of parliament voting to debate a motion of censure against the prime minister when it meets tomorrow, Mr Yilmaz will on Monday defend himself against the charges before his future is decided two days later.

If, as appears likely, a majority of Turkey's 550 deputies votes against him, the prime minister will be forced to resign.

Mr Yilmaz has been bombarded by calls for his resignation since November 11, when Korkmaz Yigit, a businessmen who has since been charged with corruption, went on television to accuse the prime minister of interfering illegally in the $600m privatisation of a bank bought by Mr Yigit in July.

As a result of that broadcast, three opposition parties, including the Republican People's party, which holds the balance of power in Turkey's finely balanced chamber, tabled censure motions against the prime minister. The three motions have now been amalgamated.

If the government should fail, President Suleyman Demirel would have 45 days to coax Turkey's party leaders into forming a fresh one. If they do not, the president is obliged to appoint a prime minister to guide Turkey to elections. Elections are currently scheduled to be held in April.

Recai Kutan, the leader of the main opposition Virtue party, which tabled one of the three censure motions, yesterday accused the government of using the Ocalan dispute as a means of holding on to power.

"The government," he said, "wants to use the Abdullah Ocalan affair as a way of saving itself."

Members of the government have urged the opposition to abandon their attempt to topple Mr Yilmaz because of Mr Ocalan's arrest in Rome last week.

Last night, Mr Yilmaz's cabinet was divided over lifting capital punishment, an essential move if Turkey hopes to secure Mr Ocalan's extradition.

Hasan Denizkurdu, the justice minister, announced that a draft bill to this end would only be submitted after the censure motion had taken place, and after consultation with other parties.

# D'Alema seeks positive solution to Ocalan dilemma

Italian PM wants to use wrangle over PKK leader to launch a dialogue on the Kurdish question, reports **James Blitz**

Massimo D'Alema's first few weeks as Italian prime minister should have been dominated by vital domestic issues, such as liberalising the country's labour market and reforming its electoral system. But his attention is now dominated by one subject of little obvious relevance to Italians: what to do with Abdullah Ocalan, the leader of the Kurdish Workers' party (PKK).

As leader of the PKK, Mr Ocalan has led an armed struggle against Turkey in which some 30,000 people have died. He is Turkey's most wanted man.

It is not immediately clear why the new Italian government should have such difficulty meeting determined demands from Turkey for the extradition of Mr Ocalan, arrested in Italy last Friday.

Relations between Italy and Turkey – two Nato allies – have hitherto been excellent. Moreover, the cost of not extraditing Mr Ocalan to Turkey, and granting him political asylum, could be immense.

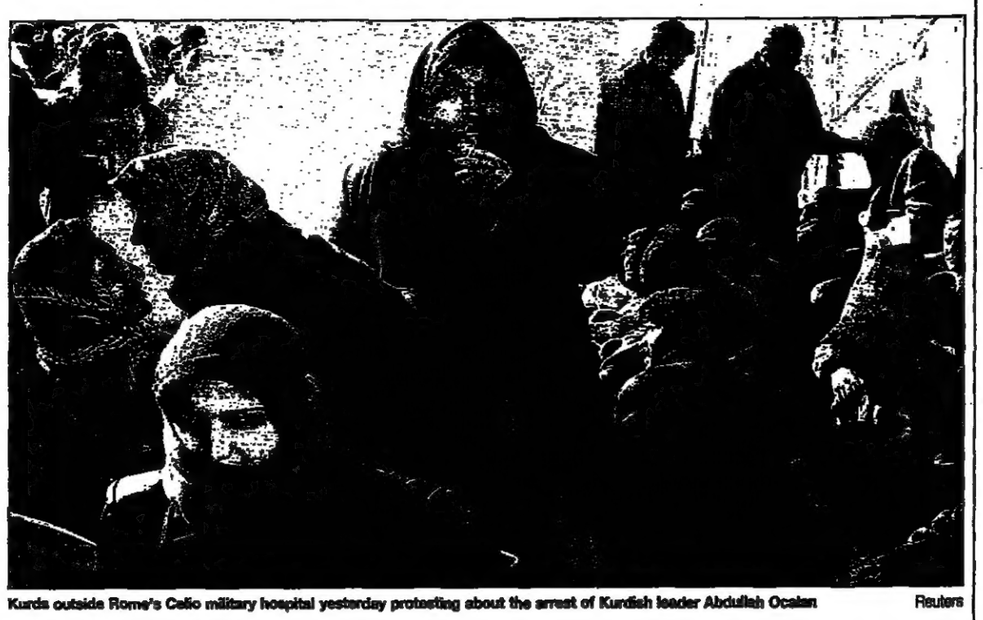
Italy is the second biggest exporter to Turkey after Germany, selling more than $3bn of goods in the first nine months of this year. Many leading Italian companies – such as Fiat and Pirelli – have investments there. They see the country as a gateway to Middle East trade and better trading relations with the former Soviet republics.

To underline the risks of giving the PKK leader asylum, the Istanbul chamber of commerce warned yesterday: "If Ocalan is not handed back, bilateral economic relations will be damaged and there could be a boycott of Italian goods."

Yet despite these significant potential diplomatic and trading costs, support for the Kurds in Mr D'Alema's government is so great that an asylum request looks likely to be granted, even if Ankara should abolish capital punishment, at present a key legal obstacle to extradition.

Granting Mr Ocalan asylum would certainly go against the wishes of Lamberto Dini, the foreign minister, who is privately pressing for Mr Ocalan to be extradited.

Mr Dini has led a significant improvement in relations between Turkey and Italy in recent years in a bid to boost Rome's role in the Mediterranean region.



Kurds outside Rome's Celio military hospital yesterday protesting about the arrest of Kurdish leader Abdullah Ocalan — Reuters

He has turned Italy into one of the main supporters of Turkish entry into the European Union.

But leading parties within the ruling coalition, such as the Communists, the Greens and a section of Mr D'Alema's own party, the Democrats of the Left, have developed strong links with the Kurds in recent years.

"We view them with the same favour that we once viewed the Palestinians," says Giulio Calvisi, head of immigration policy in the DS. "There is no doubt in the public's mind that Kurds are genuine political refugees."

Relations between these parties and the PKK have been so strong that Mr D'Alema was yesterday forced to deny claims his own government had invited Mr Ocalan to come to Italy.

But relations between the Italian left and the PKK are intense nonetheless.

The Kurdish government-in-exile was allowed to hold a meeting inside the Italian parliament building two months ago. Mr Ocalan is reported to have recently held a 3½-hour meeting in the Middle East with leading Italian communists.

The influx of Kurdish refugees to Italy has significantly boosted the proportion of people who get political asylum here each year.

Some believe that Italy could find a neat solution to Mr D'Alema's dilemma. Sergio Romano, Italy's former ambassador to Nato, believes Italy should extradite Mr Ocalan to Germany, which has an arrest warrant out for the Kurdish leader on charges of terrorism.

In his view, this would overcome differences within the coalition, while also proving that a common juridical space is now forming in Europe.

Doubts, however, have been raised in Germany over whether the country – which has the largest population of ethnic Kurds in the European Union – would be willing to take on the political risks of the Ocalan issue.

Also, both Mr D'Alema and Joschka Fischer, the German foreign minister, yesterday seemed attracted by the idea of using the arrival of Mr Ocalan in Italy as a way to launch a peace process that finally resolves the Kurdish problem.

"The Ocalan affair offers an important opportunity to launch a dialogue and search for a peaceful solution...of the painful Kurdish question," Mr D'Alema told parliament yesterday.

It is easy to see why the Italian prime minister might try hard to find a positive side to the Ocalan affair. The negative implications for a coalition government only three weeks old are too depressing to contemplate.

Editorial comment, Page 19

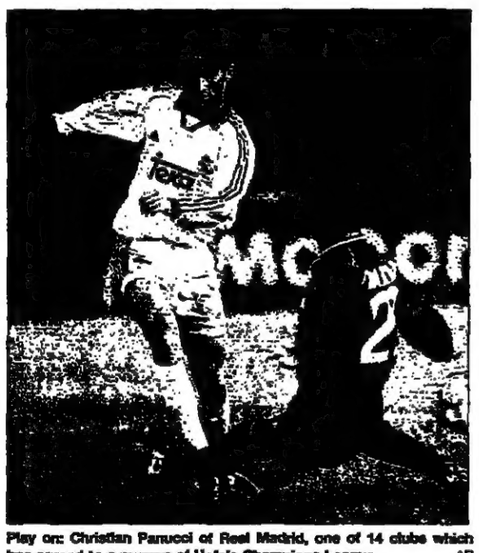
# Clubs blow whistle on plan for breakaway league

By Patrick Harverson

The threat of a breakaway football super league in Europe was averted yesterday when 14 of the continent's biggest clubs agreed to accept a revamp of the elite Champions League competition by Uefa, the sport's European governing body.

The clubs' decision could sound the death knell for the rival 36-club super league proposed by Media Partners, a Milan-based sports marketing company which had lined up $2bn of financing from the US bank J. P. Morgan for its breakaway competition.

However, there is still a possibility that Media Partners could become involved in the marketing of television or other commercial rights to the new-look Champions League. Although the 14 clubs said they had accepted the new format proposed by Uefa, they called on the governing body to "renegotiate the TV and other rights to the competition... in order to maximise the revenue".



Play on: Christian Panucci of Real Madrid, one of 14 clubs which has agreed to a revamp of Uefa's Champions League — AP

The clubs have been unhappy about the failure of Uefa to exploit the full commercial potential of the Champions League, the most popular international club competition in world football.

Since the inception of the competition in 1992, Uefa's commercial partner, the Swiss-based Team Marketing, has sold the rights to the Champions League, keeping about 15 per cent of the gross revenues for itself. Although Team has the Champions League contract for the next three years, some of the top clubs would like the rights to be put out to tender, and the amount paid to the marketing company substantially reduced.

Under changes proposed by Uefa, the Champions League will see an increase in the number of participating teams, from 24 to 32, and a big increase in the number of games. Uefa expects the changes to produce higher TV and sponsorship income, with annual revenues more than doubling to $590m.

Yesterday Media Partners refused to accept the fight was over. It said: "The critical issue of finance has still yet to be addressed. There is very much everything to play for as far as Media Partners concerned." The company is still in close touch with some of the top 14 clubs, and Rodolfo Hecht, its president, was in Madrid yesterday.

Uefa declined to comment on the 14 clubs' announcement, saying it had not received a formal confirmation of the decision.

Although it is likely to be delighted by the outcome of the Madrid meeting, it will be less pleased at news that the 14 clubs intend to establish a permanent body, called "G-14", to represent their interests in Europe. The clubs that met in Madrid were: Ajax, Barcelona, Bayern Munich, Borussia Dortmund, Juventus, Liverpool, Manchester United, AC Milan, Inter Milan, Olympique Marseille, Paris St Germain, Porto, PSV Eindhoven, and Real Madrid.

Presidents of the 51 national football associations in Uefa meet next week to discuss the new format of the Champions League.

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# Swedish fears over political union hamper stand on euro

Wait-and-see approach to the single currency is causing irritation among some European Commission officials, writes **Tim Burt**

When Anna Lindh addressed a conference on the future of the European Union in Stockholm earlier this week, the Swedish foreign minister managed to avoid any mention of the euro – the EU's most immediate, important and ambitious future project.

Instead, she emphasised EU enlargement, Sweden's environmental concerns and the need to create jobs.

Asked afterwards why she had omitted the single currency from her speech, Ms Lindh repeated the party line of Sweden's ruling Social Democrats: "It is an important project, but we must educate and inform people about Emu [economic and monetary union] before making any decision."

The foreign minister is today expected to reiterate her government's agnostic attitude to Emu and its preference for enlargement, when she addresses a conference on Baltic Sea security and co-operation in Stockholm.

Sweden's wait-and-see approach to the single currency causes barely concealed irritation among some European Commission officials in Brussels. They argue that Sweden – unlike the UK and Denmark – does not have an opt-out from the Maastricht treaty and should adopt a more positive approach. "Sweden risks marginalising itself, even among those countries remaining outside the euro, by refusing to elaborate any coherent strategy over membership of the single currency," said a senior Commission official, who declined to be named.

That view reflects frustration in Brussels that the Swedish government has dithered over launching its much vaunted euro information campaign. The Commission offered funding for such a campaign more than a year ago, but it is not expected to begin before the single currency is up and running next year. Even then, Commission officials suspect it will be a muted affair. The initial campaign costs have been budgeted at SKr10m ($1.2m) half of it funded by Brussels. That will not buy prime time television commercials or mail-drops to every household.

Rather than recommend the project to individual voters, most of the campaign is expected to target small and medium-sized businesses, informing them of the practical adjustments involved in the single currency. But how its information campaign will be managed or when it will be completed. Nor has it said whether Emu membership will be put to voters before Sweden assumes the EU presidency in 2001.

**Mr Persson's fence sitting has exposed him to criticism**

Göran Persson, the Swedish prime minister, categorically denies his administration is half-hearted about informing Swedes about Emu.

Speaking at this month's Nordic Council meeting in Oslo, he repeated his view that the decision on whether to join the single currency will be the most important of his political career. Mr Persson believes, however, he cannot sell Emu to the Swedish population if it threatens to lead to political union.

The prime minister has fears that Emu is just the first step towards some sort of EU federalism. "I am clear about the economic advantages of European integration, but the political consequences have not been discussed," he said.

So far, however, the government has not clarified

Mr Persson's fence sitting has exposed him to criticism. "There is really no solid opposition to Emu in Sweden – that is a myth. What we are seeing is a massive failure of leadership by this government," said Carl Bildt, leader of the opposition Moderate party and a former international peace envoy to Bosnia. One EU ambassador to Stockholm described Mr Persson's position as "the product of a barren ideology".

But Mr Persson is an astute politician. He knows he cannot alienate blue-collar and rural voters by ignoring their deep suspicion of Brussels, rooted partly in the timing of Sweden's 1995 entry to the EU, which coincided with a recession, high unemployment and a squeeze on public spending.

The prime minister also knows he cannot recommend Swedish participation while he still relies on the parliamentary support of the former communist Left party and the Greens, both of which advocate EU withdrawal. More importantly, his own cabinet is split on the issue.

Until the prime minister can achieve some consensus within his own party, he will not risk a referendum or snap election on the euro. The Social Democrats are not expected to debate entry to the euro-zone before 2000 at the earliest, at a special party congress.

In the absence of party support and with only a fragile position in parliament, Mr Persson cannot be more enthusiastic about the euro – even if he wants to be.

## NEWS DIGEST

**GERMAN POLITICS**

### German cabinet set for first meeting in Berlin

The cabinet of Gerhard Schröder, German chancellor, will meet in its future home of Berlin for the first time next week, a German government spokeswoman said yesterday.

Spokeswoman Charina Reinhardt said the session would take place next Tuesday. Mr Schröder would meet the premiers of east German regional states in the evening, she said.

Mr Schröder is keen to accelerate the government's move from Bonn to Berlin, scheduled for late next year, and also wants to send a signal to citizens in former Communist eastern Germany that the government cares about their problems. Mr Schröder has singled out cutting unemployment and helping the economically depressed east as the two priorities of his government, which took office last month. Reuters, Bonn

**FISCAL POLICY**

### Green tax details approved

Germany's ruling Social Democratic and Green parliamentary parties yesterday approved details of an "ecological" tax package, which will use funds from higher energy taxes to finance cuts in state social security contributions.

Last-minute modifications were included to help smaller, family-owned companies. The draft also detailed exemptions for 27 energy-intensive branches of industry, including metal production. Other sectors of industry, such as mining, will pay lower rates of energy taxes. Among the planned increases, petrol prices will rise from the start of next year by six pfennigs a litre. Ralph Atkins, Bonn

**IRISH INFLATION**

### Rates continues to fall

Ireland's inflation rate fell for the second month running in October, with a drop of 0.1 percentage points over September's figure, giving an annual rate of 2.9 per cent. This compares with 3.2 per cent in the year to August, a six year high.

The fall comes despite the increase in disposable income as a result of the fall in borrowing costs. This follows moves by the Central Bank to cut Irish interest rates ahead of the launch of the single currency in January, when the 11 participating countries will adopt a Franco-German benchmark rate, which looks set to be around 3.3 per cent.

The Organisation for Economic Co-operation and Development said yesterday Ireland's growth rate – estimated at 8 per cent this year – would slow next year. It also said inflation may pick up. John Murray Brown, Dublin

**GREEK REVOLT**

### Clashes mark anniversary

More than 100 people were arrested yesterday in clashes with police during events marking the 25th anniversary of a student uprising against military rulers.

About 10,000 people took part in a march from the Athens Polytechnic University, site of the revolt, to the US embassy. They were surrounded by more than 5,000 police officers to prevent rioting and vandalism. Every year, the commemoration of the 1973 Athens Polytechnic revolt is marred by such incidents.

At least 23 people died and hundreds were wounded in the revolt when the army stormed the campus on November 17 1973. The actual death toll has never been established, but it is thought to be considerably higher. The revolt is credited with helping bring the downfall of military rule which lasted from 1967 to 1974.

This year's anniversary carried additional worries for authorities. About 200 arson attacks this year have been carried out by shadowy organisations widely believed to be linked to the Polytechnic demonstrators.

The atmosphere has been further charged by a string of police scandals and recent government education reforms that have led to school occupations and teachers' demonstrations. AP, Athens

**FRENCH MEDIA**

### New newspaper launched

Henri Emmanuelli, France's former Socialist parliamentary speaker, yesterday launched a daily newspaper, which he boasted was "politically incorrect".

A former Socialist party leader and treasurer, Mr Emmanuelli quit politics after a court last year barred him from public office for two years and gave him an 18-month suspended prison sentence on charges of illegal party financing.

Le Quotidien de la Republique, with a staff of about 50, was set up on an investment of FFr8m ($1.4m). Mr Emmanuelli hopes to raise a further FFr2m with subscriptions from leftwing sympathisers. Although the budget included a FFr3m loan from the Socialist party, Mr Emmanuelli said the newspaper would not be a party mouthpiece. Nor would he use it to take revenge on foes who contributed to his political downfall.

The daily published 90,000 copies of its first issue and needs to sell at least 30,000 copies a day to survive. There was no advertising in the first issue but Mr Emmanuelli said he hoped advertising revenues would raise FFr5m a year. Reuters, Paris

**EU ENLARGEMENT**

### Speedier reforms urged

A senior western industrialist yesterday urged applicant countries seeking membership of the European Union to increase their preparation efforts.

EU reforms needed to allow Poland and other central European countries to join could take longer than expected. Nevertheless, the applicant countries should increase their efforts to make their countries ready for membership, said Percy Barnevik, the non-executive chairman of the Swedish investor group.

"We must keep up the momentum and not slide back," said Mr Barnevik, referring both to the EU and the applicants. The former chief executive of ABB is the chairman of a group of industrialists which is lobbying in Brussels for speedy EU enlargement. The group publish a report on the issue in January. Christopher Bobinski, Warsaw

**CORRECTION**

### Croatia

The sums deposited in bank accounts by Ankica Tudjman, wife of Franjo Tudjman, president of Croatia, totalled less than DM500,000 ($295,000), according to Croatian newspapers. The reported amount was incorrectly stated in the Financial Times on October 22.

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# Brussels savaged over nuclear safety strategy

By Neil Buckley in Strasbourg

The European Union's spending watchdog yesterday savaged the EU's eight-year-old programme to improve nuclear safety, portraying it as wasteful, plagued by muddled strategy and staff shortages, and ineffective.

Failures in the programme have meant that of Ecu850m ($990m) earmarked for nuclear safety in 1990-1997, less than half (Ecu355m) has in fact been spent, according to a report from the EU's Court of Auditors. What had been spent was partly wasted and may have fuelled "excessive profits" for western consultants, while failing to meet even the EU's short-term objectives, the Court said.

Bernhard Friedmann, Court of Auditors president, said the problem of Soviet-designed reactors remained a "ticking timebomb".

"In spite of the urgency, only Ecu300m has been spent so far," he told the European Parliament. "It is particularly worrying that at the end of 1997, it was not possible to judge whether there had been any actual progress in terms of nuclear safety."

The spending watchdog brought forward publication of its nuclear report – one of the most critical it has produced – so it could be released simultaneously with its annual audit of the EU's Ecu80.2bn budget. As revealed in Saturday's FT, the audit report estimated that about 5 per cent of EU payments last year – worth Ecu4bn – may have involved errors. The nuclear safety report warned that the European Commission, the EU executive, had adopted a comprehensive strategy for Soviet-type reactors only in 1996, and it remained confused in important areas.

It was further hindered by shortages and rapid turnover of staff, and communication failures between its services and with international organisations, such as the International Atomic Energy Agency, and the European Bank for Reconstruction and Development.

Over-reliance on external consultants and energy groups "undermined the Commission's authority and independence", while Ecu192m in contracts were awarded without competitive tendering.

Even when projects had been decided, they were sometimes modified or discontinued without Commission control.

In one example, projects due to be worth Ecu6m at the Nikiet and Kola nuclear facilities in Russia were cancelled after Ecu2.7m had been spent on studies. The Ecu3.3m balance was never re-allocated.

Mr Friedmann also warned of the possibility of abuses, telling the European Parliament that consultants could base contracts on the price of western experts, then employ eastern European specialists who were 15 times cheaper.

Commission officials rejected many of the Court's criticisms, saying its accusations of strategy weaknesses resulted from an "erroneous hypothesis".

"If the EU or the international community had wanted to shut or make safe all nuclear reactors in eastern Europe they would have had to come up with Ecu60bn, and that kind of money is simply not around," said a spokeswoman for Hans Van den Broek, commissioner for eastern Europe.

She said it was right so much money was spent on studies.

"We had to have the facts so we could take the right decisions," she said.

# German employers urge tax changes

By Ralph Atkins in Bonn

Germany's employers' association yesterday insisted drastic changes to the government's controversial tax package had to top the agenda of Chancellor Gerhard Schröder's planned "alliance for jobs" combining business, unions and the state.

The demand by Dieter Hundt association president, came ahead of preliminary discussions in Bonn last night on the agenda for the "alliance for jobs", which is due to start formally on December 7.

Speaking at his association's annual conference, Mr Hundt said the tax policies of the governing coalition comprising Social Democrats and Greens amounted to an "unprecedented" attack on jobs and investment. Companies would be hit by an additional DM35bn (£20bn) net burden as part of the plan to cut personal tax rates but end industry tax breaks.

"There is no way we could accept that in an alliance for jobs – it must go as soon as possible," Mr Hundt said. Tax reform would have to be discussed on December 7, he insisted. He also called for a binding deal with unions on "jobs-orientated" wage deals.

Mr Schröder sees the alliance as a mechanism for steering government policy, union wage demands and corporate decisions towards the common goal of reducing unemployment. The alliance should remain operational for the entire four-year parliament.

The Bonn chancellery regards the project as essential for rebuilding consensus between interest groups – the bedrock of Germany's post-war political system. It argues that a decisive mistake of Helmut Kohl, the former chancellor, was his confrontational approach towards structural reform – which alienated unions and resulted in many of his government's initiatives being blocked.

# Schröder urges Russia to meet IMF conditions

By Andrew Jack in Moscow

Gerhard Schröder, German chancellor, yesterday talked for an hour with Boris Yeltsin, Russia's ailing president, during a visit to Moscow in which he has also met leading opposition figures and presidential hopefuls.

Mr Schröder ruled out additional German aid for Russia and stressed the need for Moscow to meet the economic conditions set by the International Monetary Fund (IMF). He also expressed interest in German support for Russia's planned AN-70 transport aeroplane.

Mr Schröder's visit, held soon after his election as chancellor, reflects the importance Germany attaches to its relations with Russia. But by widening his focus beyond Mr Yeltsin, Mr Schröder also signalled a change in approach from the highly personal "sauna" diplomacy pursued by his predecessor, Helmut Kohl.

Mr Schröder met opposition political figures including Alexander Lebed, governor of the Krasnoyarsk region, Gregori Yavlinksy, leader of the liberal Yabloko party, and Gennady Zyuganov, head of the Communist party. He also met Viktor Chernomyrdin, the previous prime minister. One German official indicated that Mr Yeltsin appeared to be in far from good condition during the meeting between the two leaders, although Mr Schröder stressed that he considered him "well informed...and an active president".

Mr Schröder said he would like in the future to meet Yuri Luzhkov, mayor of Moscow and another presidential contender, who was yesterday in Tokyo, where he blamed the IMF for Russia's country's economic crisis. He said the organisation had "demanded" the privatisation by which "the government lost its national assets" and allowed Russia to issue short-term, high-paying bonds, which he characterised as a "crime".

Meanwhile, Yevgeny Primakov, Russian prime minister who met Mr Schröder on Monday, yesterday presented an outline of his government's economic programme to Al Gore, US vice-president, during the Asian Pacific Economic Conference forum in Malaysia.

The programme calls for greater state intervention in the economy.

Schröder ruled out additional German aid for Russia Reuters

# New merger rules adopted in France

By Samer Iskandar in Paris

Dominique Strauss-Kahn, French finance minister, yesterday adopted a new regulatory framework for takeovers put forward by the Conseil des Marchés Financiers (CMF), the financial markets regulator.

The rules, which increase the protection of minority shareholders, are designed to favour strategic investors over short-term speculators.

The finance ministry said the changes should "reinforce the safety and transparency of financial operations". They also impose restrictions on banks acting as advisers during a takeover.

Several exemptions from the obligation to launch a full bid for a target company will be removed as part of the new measures. Under existing rules, a shareholder controlling more than a third of a target company has to launch a takeover bid. However, potential acquirers have relied on a dozen loopholes to evade this obligation in the past. The new rules remove half of these loopholes. The amended text also increases the powers of the CMF, which will be able to force the de-listing of a company in which the main shareholder controls more than 95 per cent of voting rights. The regulator will now also have the power to impose a deadline and the conditions at which minority shareholders are bought out. Previously, the CMF had only the power of consultation.

The number of situations in which small investors can demand to be bought out has also been increased. These include changes in a company's statutes, absorption of a subsidiary by its mother company or the non-payment of dividends over a sustained period.

Large investors were also given concessions. A rule that forced every company acquiring more than 50 per cent of a target to launch a full bid has been scrapped. Instead, shareholders controlling more than 33 per cent will be able to continue building a stake, as long as they do not acquire more than 2 per cent each year.

"This means that control can be acquired with time," said an analyst. "The idea is that a shareholder taking a long term view should not be pressured to make a bid."

# Le Pen banned from office for a year

By Robert Graham in Paris

Jean-Marie Le Pen, leader of the extreme right National Front, was yesterday disqualified from holding office for a year by a French court for physically attacking a Socialist candidate during the 1997 general elections.

The decision by a Versailles appeals court cut the original sentence from a two-year ban and also reduced a fine to FFr5,000 ($882) from FFr20,000. But the court maintained a three-month suspended prison sentence.

Unless the 70-year-old Mr Le Pen challenges this with an appeal to a higher court, he will have to stand down from his seat as a member of the European parliament and relinquish his position as councillor on the Provence-Alpes-Côte d'Azur regional administration. It certainly casts a cloud over his ambitions to stand as the Front's candidate in the 2002 presidential elections.

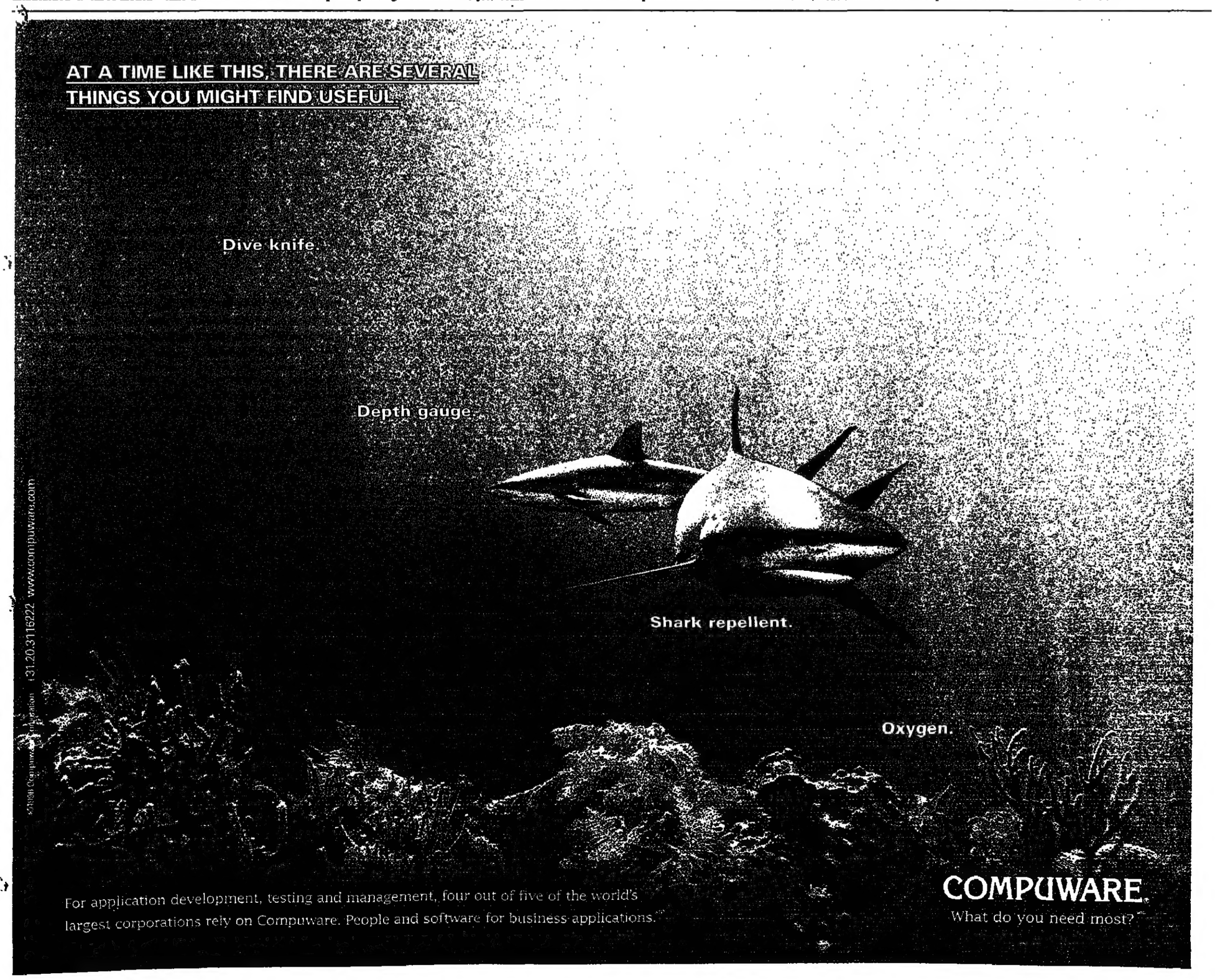
The sentence was the first time a court under the Fifth Republic has removed the political rights of a party leader.

Attending the European parliament in Strasbourg, Mr Le Pen called the court decision "slimy". "This decision goes against the facts, against the law, and against justice," he said. "Real justice will be decided by the people at the next European elections."

The National Front accounts for 15 per cent of the vote nationwide and is especially strong in southern France. The party has no seat in parliament, due largely to France's two-round voting system, which favours broad alliances in the run-off vote. However, the Front provides vital support for three regional administrations run by the moderate right as well a number of municipalities.

The court's sentence will accelerate an acrimonious debate within the party over the continued leadership of Mr Le Pen. His bombastic style, combined with crude racism and nationalism, is being challenged by a much younger and smoother Bruno Mégret. Mr Mégret wants to refashion the party to make it less of a pariah in French politics.

The first issue to resolve will be over who will head the Front's list for the European parliamentary elections next year. Mr Le Pen has refused to endorse Mr Mégret for fear of losing control of the party and hence his chances to run as the 2002 presidential candidate.



**IRAQI WEAPONS** BAGHDAD MEDIA STUNG BY US AND UK AMBITIONS TO TOPPLE REGIME

# Saddam rule 'will outlast Clinton'

By Roula Khalaf in Baghdad

Iraq yesterday attacked US and UK leaders' suggestions that the regime of President Saddam Hussein should be overthrown, and promised that the Iraqi leader would last in office much longer than President Bill Clinton.

As United Nations weapons inspectors and relief workers arrived in Baghdad, ending a two-week crisis over arms inspections, newspaper editorials focused on US schemes to topple Mr Saddam.

Mr Saddam has long claimed that the US and UK aim to prolong United Nations sanctions imposed on Iraq since 1990 until Mr Saddam is removed from power.

A main reason for Iraq's decision to end co-operation with inspectors last month was its perception that the US continued to refuse to consider a lifting of the oil embargo, even if Iraq complied with requirements to destroy its weapons of mass destruction.

"The ugly American president has finally uncovered his real face and publicly revealed his plans to conspire against Iraq," said a government official writing in Babil, a newspaper which is owned by Mr Saddam's son, Uday.

"Clinton's remarks were irresponsible and represent a reckless US policy and a blatant violation of the UN charter which stipulates that sovereignty of states should be respected," said Khudair al Dulaimi, an information officer.

Referring to the Iraqi opposition, he said : "This shows that the US administration is being misled by some outlawed elements who claim to be Iraqi opposition but are in reality irresponsible people trying to earn their living in a cheap and cowardly way."

Iraq considers the opposition too fragmented to be a serious threat and dismisses its members as agents in the hands of the US Central Intelligence Agency.

At the UN headquarters in Baghdad, meanwhile, 86 UN arms inspectors arrived yesterday, to be followed by six more today.

The returning inspectors, are charged with monitoring sites already investigated. Although the resumption of their work will be a first test of Iraqi commitment to resume co-operation, they will not conduct challenge inspections of the kind requested by the US when it accepted Iraq's reversal of its ban on arms inspectors.

A team that will conduct more difficult inspections has to be put together by Unscom in New York.

**UNSCOM** CALL FOR QUICK TEST OF PROMISE TO CO-OPERATE

# Arms inspectors face unprecedented pressure

By Roula Khalaf

Now that Iraq has reversed its ban on weapons inspections, Unscom returns to find itself under enormous and unprecedented pressure.

While still ready for a military strike, the US wants Unscom quickly to test Iraq's commitment to co-operate by conducting tough inspections.

It has also warned that any Iraqi obstruction will be met with harsh punishment. But Russia and China have urged Unscom to tread carefully and take into account Iraqi sensitivity.

Richard Butler, the chief weapons inspector, will thus have to execute an effective test of Iraq's commitment without appearing to act too aggressively, and risk having to take the blame for igniting a military confrontation and bringing an end to his own commission.

Diplomats in Baghdad say that while the next few weeks will be tense, reasonable co-operation from the Iraqis and a measure of goodwill from Mr Butler could avert an immediate crisis.

Iraq has every incentive to co-operate. Having reversed its ban on weapons inspections, Baghdad's focus is now on the comprehensive review of sanctions promised by the UN Security Council, even if this review does not meet all its demands.

The US and UK have said the review can only take place after an effective test of Iraqi compliance with inspectors. "Iraq's image has been weakened with the last crisis, but it wants to preserve the opportunity of the comprehensive review," one diplomat said yesterday.

While the US and UK insist the test will depend only on Iraqi co-operation, other western governments believe Unscom's attitude over the next weeks will have a significant bearing on whether the comprehensive review is held.

Since 1991, UN inspectors have faced the most complex and sensitive job. Hunting for weapons of mass destruction in a country which had several times deceived inspectors and concealed information has understandably created an atmosphere of deep mistrust.

But Unscom, and Mr Butler in particular, have also been criticised by France, Russia and China for contributing to crisis, through an uncompromising attitude and an undue reliance on suspicions rather than proof.

The UN weapons commission, responsible for all but the nuclear arms, can claim success in having uncovered most of Iraq's weapons making capabilities.

The long-range ballistic missiles file is virtually closed and the hunt for chemical weapons is in its last stage. The big questions remaining mostly concern Iraq's quest for biological weapons capabilities.

> **Reasonable co-operation and a measure of goodwill 'could well avert an immediate crisis'**

As important to Unscom's achievements is the elaborate monitoring system installed in hundreds of facilities used for civilian purposes but which could be converted to military use.

With sensors, monitors and repeated inspections, the system is deemed the most effective way of ensuring Iraq does not seek to redevelop prohibited weapons. The commission can only be effective if it can obtain Iraqi co-operation, a main reason why its discoveries in the past year have been limited.

The commission's problem has also been a gradual and dangerous politicisation, which has created the perception it is a tool in the hands of Security Council members, and has made it a convenient excuse for Iraq to provoke crisis.

Mr Butler and his inspectors have not helped themselves. The credibility of Unscom has been undermined by the disclosures of Scott Ritter, a former American inspector, who said in the summer that Israel had played a big role in his efforts to uncover Iraqi concealment strategy and that he was being investigated by the Federal Bureau of Investigation on suspicion of spying for Israel.

Diplomats and analysts predict that in coming weeks, Unscom's access to sites is unlikely to create problems, but that obtaining documents and files, a main point of contention with Iraq, may be used as a test of Iraqi compliance.

President Bill Clinton specifically referred to "relevant documents" on Sunday when he placed his conditions for Iraqi co-operation.

The difficulty with documents is that in some cases, Iraqi claims that the files were destroyed may be plausible, so even military threats could not reproduce them. Iraq is also unlikely to agree to hand over files related to military secrets outside weapons of mass destruction.

This is why officials sympathetic to Iraq's position say that, as a tough but fair test of Iraq's intentions, Unscom should go after documents it knows exist but to which it has been denied access.

Whether Unscom picks such tests and how Iraq responds are questions with huge political consequences. While Iraq is promising to co-operate, a person close to Unscom noted yesterday that inspectors were "not stupid. They know that in the event of a crisis, Iraq and its supporters will try to make them responsible for rocking the boat".

**OPPOSITION GROUPS** MIXED REACTION TO OFFER OF MILITARY AID

# Divided groups bemused by US policy change

By Harvey Morris in London

President Bill Clinton's sudden embrace of the Iraqi opponents of Saddam Hussein appears to have left the US State Department scrambling for a strategy to fit the policy, according to members of the Iraqi opposition.

It has also produced a mixed reaction from the potential beneficiaries of the administration's new line, contained in Mr Clinton's commitment on Sunday to work with Congress to implement the Iraq Liberation Act.

The act, passed late last month in the face of White House misgivings at the time, earmarked $97m in military aid and training to Iraqi opposition groups.

The promise of the aid was welcomed by the Iraqi National Congress, the organisation most favoured by the US Congress, which is headed by Ahmad Chalabi, a former banker.

The INC has, however, been virtually defunct since 1995, when many of its constituent groups began dropping out. Mr Chalabi, who has been criticised by former colleagues for seeking to dominate the organisation, has no apparent power base either in exile or at home. He is a frequent visitor to Washington from his London base.

Commenting on the prospect of forthcoming military aid from the US, the INC's former convenor, Leith Kubba, said: "There are enough Kalashnikovs in Iraq to fill the whole region. The last thing you want to do is solve a political equation by sending more arms."

Mr Kubba said he feared the US was following the "Afghan model" in Iraq, supporting disparate groups militarily in a way that might provoke internal strife in the longer term.

Iraq already has experience of "civil wars" within the opposition, in the form of the frequent conflicts between Masoud Barzani's Kurdistan Democratic party (KDP) and the rival Patriotic Union of Kurdistan (PUK), led by Jalal Talabani. The two groups were recently reconciled in a peace accord brokered by Washington.

Mr Kubba said he would prefer Washington to follow what he described as the "Polish model", offering subtle political support to opposition forces, rather than weapons.

There are more than 70 formal organisations opposed to the regime of Mr Saddam. Some exist only in exile, while others have a presence within Iraq. They represent every shade of opinion in the country from monarchist to communist, and every ethnic community from Kurds to Arabs to Turkomans.

The opposition falls broadly into three categories. First, there are groups that have a military presence on the ground. These include the large Kurdish militias that hold sway in the north of the country, outside Baghdad's control. They also include Shia groups active in the south, some of which have the support of Iran.

Then, there are nationalist and secular groups such as the Iraqi Communist party and organisations both within and outside the INC.

Finally, there are potential opponents within the regime itself. The flow of high-level defectors from Baghdad has begun to speed up, indicating that disillusionment is reaching the highest echelons of the Saddam regime.

Exiles from within the regime have been drawn to the Iraqi National Accord, an organisation that is believed to act as a conduit for defectors wishing to be put in touch with contacts in the west.

Ahmad Chalabi: former banker has no apparent power base among the Iraqi opposition either in exile or at home

Although other opposition groups fear the INA may be a target for infiltration by Baghdad, its leader, Ayad Alawi, has solid credentials, having narrowly escaped a 1978 assassination attempt in London by Iraqi agents.

Other groups also suspect that the reason the INA has found favour in the US is that it offers the prospect of helping to remove Mr Saddam while keeping the regime basically intact.

Many are unimpressed by Washington's sudden rediscovery of the opposition after the events of the weekend. One senior Kurdish official said: "Whenever there's a crisis, the Americans send the defence secretary to the regional countries, to the European countries and everywhere else. They never consult the Iraqi opposition until everything's over."

This view was echoed by Hamid al-Bayati, London representative of the Supreme Council for the Islamic Revolution in Iraq. "We have a history of being betrayed by the US," he said. "Just to allocate money is not enough."

Mr Bayati said his organisation would like to see the US and its allies pursuing UN Security Council resolutions relating to human rights in Iraq with the same vigour they showed in pursuing those involving weapons of mass destruction.

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**MIDDLE EAST PEACE PROCESS**

# Wye accord gets back on track

By Judy Dempsey in Jerusalem

Implementation of the Wye Plantation peace accord may begin after all this week after Yassir Arafat, president of the Palestinian Authority, reassured Benjamin Netanyahu, Israeli prime minister, he had no intention of using violence to achieve his goals.

Mr Netanyahu had delayed implementation until Mr Arafat retracted his statement calling for an armed struggle against Israel. However, the Authority, at least publicly, did not receive any apology from Ariel Sharon, foreign minister, who told settlers to grab land wherever they could.

Barring any last-minute objections, the cabinet will today give the final go-ahead for a phased handover of 13 per cent of West Bank land to the Palestinians and possibly the release of 250 prisoners. Meanwhile, the Knesset, or parliament, was last night scheduled to vote on the Wye accord, with Mr Netanyahu confident of a comfortable majority with Labour party support.

- Israel's gross domestic product grew at an annual rate of 1.4 per cent for the last quarter, the fourth consecutive quarter-on-quarter decline. Slow growth is likely to continue after a four percentage point rise in interest rates in as many weeks and a three percentage point rise in inflation.

**FINANCIAL MARKETS** DANGER IF JAPANESE BANKING SECTOR FAILS TO RESTRUCTURE

# OECD warns of the perils of further economic turbulence

By Richard Adams, Economics Staff, in London

The recent period of stability in the world's financial markets could be upset by a further bout of severe turbulence, the Organisation for Economic Co-operation and Development warned yesterday.

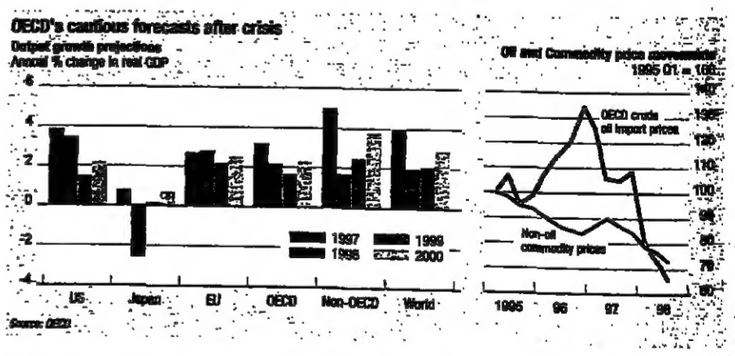
In its latest *Economic Outlook*, the Paris-based economic think-tank said "the most important risks to the outlook that have been at the root of the deterioration of confidence since July are still present," in spite of the policy action taken in response since then.

In particular, the OECD addressed the possibility that the Japanese banking sector would fail to restructure as the main risk to the economic outlook for its member countries.

"If the banking system there is not strengthened and confidence does not recover, domestic demand is likely to remain weak," the report said.

"This could lead to a vicious circle, as sustained recovery would be difficult to achieve, which would work against improving public finances and lead to further worsening of bank asset quality."

Further downside risks include renewed falls in international equity markets, which would have a knock-on effect on investment, credit availability, and consumption through a fall in the wealth of households that own equities. "The risk of renewed falls is considerable," the report said, noting that there had been significant rebounds in most financial markets since last month.




The OECD also sees particular danger from a further deterioration in the emerging markets of Asia, Russia and South America.

"The main risk now facing emerging markets is that further setbacks in individual economies, which need not be domestically generated, could accelerate the investor flight from risk and have spillover effects across all emerging markets," the half-yearly report said.

In the emerging Asian economies, the OECD said the most critical task was to restore quickly the viability of the financial and corporate sectors. In South America, and especially Brazil, a strong commitment to address fiscal and current account positions was needed. And in Russia, the OECD warns that "sustained growth will not be achieved without developing institutions which strengthen the rule of law, public governance and civil society."

The markets in Asia remain vulnerable to a continued slowdown in Japan, and any failure to resolve its unresolved banking weakness. "A further decline in domestic demand there could lead to renewed downward pressure on the yen, thereby setting off another wave of currency depreciations and upward pressure on interest rates in other countries in the region."

The impact from the emerging market turmoil has been seen most clearly in trade flows to and from Asia, although the OECD said the ultimate extent of the impact on trade with Eastern Europe and Latin America remained "highly uncertain".

The OECD's research shows that trade exposure to Asian emerging markets is more important than exposure to the other regions. All of the largest of the OECD members have strong trade links with Asia, but eastern Europe has links of similar importance only to the European Union economies, while Latin America is of similar importance only to the US.

The other threat from emerging market turbulence is on the financial markets. Bank balance sheets in the US and Europe are thought to be in good shape, although European banks have substantial credits outstanding to the three high-risk regions of Asia, Latin America and Eastern Europe. The OECD said the exposure of US banks is "quite limited", while Japanese banks have only minimal exposure outside Asia.

The consequences of the OECD's "downside scenario" would set off another round of lower oil and commodity prices, a decline in both the dollar and the yen, and an easing of monetary policy in the US and eventually in Europe.

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**APEC SUMMIT** US SUPPORT FOR MALAYSIA OPPOSITION HAS DEEPENED REGIONAL DIVISIONS, ADDING NEW THREAT TO CONFIDENCE

# Gore speech raises fears of backlash

By Peter Montagnon and Sheila McNulty in Kuala Lumpur

Al Gore's brazen support for Malaysian opposition protesters and the extravagant language used by the country's trade minister, Rafidah Aziz, in her disgusted reply seemed like an outrageous joke at first. But yesterday the mood turned sombre at the Asia-Pacific summit in Kuala Lumpur as the full impact of the US vice-president's intervention became clear.

This summit was supposed to have given heart to Asia as it confronts its worst economic crisis in more than a generation. Instead Mr Gore has sparked a serious international row which could have lasting repercussions.

Lurking quite close beneath the surface is the risk of an anti-US backlash in Asia which could deepen divisions within the region, adding a new threat to confidence and limiting economic recovery prospects.

By last night Mr Gore clearly had few admirers among the summiteers, even among those who had earlier expressed sympathy for Anwar Ibrahim, the jailed former deputy prime minister of Malaysia.

Surin Pitsuwan, Thailand's foreign minister said Mr Gore should have exercised restraint. Sadaaki Numata, Japan's official spokesman said his country did not indulge in megaphone diplomacy. John Howard, the Australian prime minister, said "hectoring" other nations was not the way to achieve a desirable summit outcome.

There was some bewilderment at why Mr Gore chose to make his remarks in such a provocative way. Some thought that, by speaking to television cameras at a business leaders' dinner attended by Mahathir Mohamad, the Malaysian prime minister, he was trying to maintain a high political profile in Washington.

Others assumed the US must have calculated that Dr Mahathir's popularity was waning seriously. Diplomats in Kuala Lumpur say they have noticed a distinct slide in grass roots support since the arrest of Mr Anwar, though this is not enough to undermine his position as prime minister. Most agree that Malaysia is a long way from the situation where a word from the US can determine the timing of his downfall, as was the case with President Suharto in Indonesia.

US officials said Mr Gore was simply exercising a right to express the importance Washington attaches to democracy and the rule of law in the same way as President Clinton raised the question of human rights in Beijing earlier this year. This was not supposed to be something directed specifically at Malaysia, they said, but the tactic seems to have backfired.

In Malaysia itself, feelings were running high yesterday, and not just from officials upset at foreign intervention in the country's domestic affairs.

To judge from the mood in the streets, Dr Mahathir will have gained, at least temporarily, from what was perceived as the rudeness of Mr Gore. "I've got a feeling that there's going to be a real backlash [against the US]," said Abdul Razak Baginda, executive director of the Malaysian Strategic Research Institute.

The affair has sparked a sense of unease on a broader international front too. Delegates at the summit of the Asia-Pacific Economic Co-operation forum here fear the economic crisis may be accentuating differences between nations at economic and political levels, just at a time when US leadership is needed more than ever to pull Asia out of difficulty.

Already over the weekend the row on liberalisation of trade in forestry and fishery products pitted the Anglo-Saxon economies of Apec – the US, Australia, Canada and New Zealand – against the Asian ones. No one denies that the row was a bitter one while it lasted, though Japanese officials were yesterday stressing that it was confined to trade and should not cloud relations in other areas.

Yet to some participants there is something deeper at work. "The Japanese are beginning to resist being pushed around in public, and blamed for things they are not responsible for," said Domingo Siazon, foreign minister of the Philippines.

Another Asian official said the line-up in the trade row reflected an inherent tension in Apec between the more confrontational Anglo-Saxon culture and the consensual approach of Asia, which ought to have been set aside in a determined effort to deal with the economic crisis.

Instead the summit looks set to end today having achieved little. The trade row could have been avoided had the US not made such an issue of fishery and forest products. This was all the more perplexing since the US itself had no authorisation unilaterally to reduce tariffs in the nine sectors selected for fast track liberalisation.

It needs a World Trade Organisation negotiation to build up a critical mass of participating countries before it can act, and Japan was always willing to place the issue before the WTO anyway.

The other supposedly significant new development – the debt initiative launched jointly by Japan and the US – turned out to be a damp squib. The plan as presented to leaders was rich in theory but poor in both cash and detail.

Admittedly the mercurial Dr Mahathir was not the most natural chairman and is certainly not known for bringing quarreling parties together. But perhaps with more leadership from the US a better outcome could have been achieved.

Philippine President Joseph Estrada (right) meets Wan Azizah Wan Ismail, the wife of Anwar Ibrahim, in Kuala Lumpur. Mr Estrada has backed Mr Gore's stance Reuters

# US pledge to push China's WTO bid

By Peter Montagnon in Kuala Lumpur

China's President Jiang Zemin and Vice-President Al Gore agreed to try to speed China's accession to the World Trade Organisation, at a bilateral meeting on the sidelines of the Asian summit in Kuala Lumpur.

Both sides now hope to conclude their bilateral negotiations on China's entry by early next year, a Chinese foreign ministry spokesman said.

The statement suggests China may be seeking to introduce a new momentum to the talks, held back this year by the country's apparent reluctance to open its markets at a time when economic slowdown has prompted fresh subventions to ailing state enterprises.

Some trade partners have even argued that China has been losing interest in joining the organisation, but "they certainly went out of their way to say that suggestion was false," a senior US official said after the meeting. "We'll have to see if that translates into action."

So far, there is no sign of any change of negotiating position on either side. China has long resisted US demands for it to open up its banking and financial services sector when its institutions are carrying large volumes of problem loans.

Earlier this year, it also seemed to be retreating from open trade in another important services sector when it effectively barred foreign joint ventures in telecommunications.

As part of its accession negotiations, China must complete bilateral agreements with individual member countries of the WTO. The US has imposed the toughest conditions, but China has also yet to meet conditions sought by the European Union.

Officials from Japan, which, among leading industrial countries, is most supportive of Japanese accession, said yesterday they had more or less completed their talks on trade in goods over a year ago, but still have some way to go in the services sector.

China faces great difficulty meeting WTO entry conditions, but cannot afford to appear to be backing away from membership, because that could make foreign investors lose confidence in its entire economic reform programme, analysts say.

# Hubco welcomes tariff ruling

By Farhan Bokhari in Islamabad

The Hub Power company (Hubco) last night welcomed a Pakistani court ruling that the tariff promised to the company could not be unilaterally changed by the country's main power utility.

The Sindh provincial high court in Karachi yesterday ruled that the state-owned Water and Power Development Authority (Wapda) could not unilaterally change the tariff promised to Hubco.

The company's share prices on the Karachi stock exchange are expected to rise today, driven by the view that yesterday's developments had strengthened the company's case, equity analysts said.

"We welcome the court's decision to secure the sanctity of the contracts," said Khurshid Hussain, Hubco's chief executive.

Yesterday's ruling is the latest twist in months of wrangling as Wapda and the Pakistani government have forced Hubco to reduce its tariff.

The government has accused Hubco's officials of committing fraud in negotiating a higher tariff in 1994, which replaced an earlier agreement. Hubco has denied the accusation.

Hubco has also filed a lawsuit in the Sindh high court, seeking to stop the government and Wapda from changing the company's power purchase agreement that changed its tariff.

Hubco's case is seen as an important test case for the future operations of private power producers and foreign investors in the country. Its owners include National Power of the UK, which owns a 26 per cent stake.

Last month, the prime minister, Nawaz Sharif, announced a 30 per cent cut in tariff for domestic consumers, just hours after his government announced that it had unilaterally cancelled the 1994 tariff agreement, and reverted back to an earlier one.

The case drew anxious reactions from many, including the World Bank. Senior government officials say the Bank has urged Pakistan to keep its so-called investigations into alleged corruption in Hubco's contract separate from the future of the company's tariff.

The future of an International Monetary Fund agreement, currently under negotiation in Islamabad, is also partly tied to the extent to which Pakistan resolves its dispute with the power companies.

The Fund and the Bank are said to have reached a broad understanding with the government under which they have been assured that Pakistan would quickly resolve the dispute in order to end the controversy surrounding its power sector.

**FISCAL RESERVES** MERGER WITH EXCHANGE FUND DESIGNED TO STREAMLINE INVESTMENT MANAGEMENT

# HK Land Fund cash to back currency

By Louise Lucas in Hong Kong

The Hong Kong government said yesterday it would merge the assets of its HK$211.4bn (US$27.3bn) Land Fund – proceeds of sales of government land – with the Exchange Fund, which backs the territory's currency.

The move, which is designed to streamline the investment management of accumulated fiscal reserves, creates a total pool of HK$946bn, compared with HK$735bn for the existing Exchange Fund. "Psychologically, you've got more reserves backing the currency in the Exchange Fund," said Joseph Yam, chief executive of the Hong Kong Monetary Authority, the de facto central bank.

Hong Kong's foreign reserves, the third biggest in the world, were a potent tool in defending the currency in August. The Hong Kong dollar, which is pegged to the US dollar, came under heavy attack, prompting government intervention in both the money markets and the stock market.

The exercise, which entailed a HK$118.1bn buying spree on the stock market, elicited criticism from the international investment community, which feared the territory had abandoned free market principles and taken on potential conflicts of interest in its dual role as government and shareholder.

Hong Kong addressed these criticisms by transferring the shares to an arms-length company, Exchange Fund Investment Ltd. EFIL is run by a group of government and HKMA officials, academics and professionals.

As a result of yesterday's merger, EFIL will also be handed responsibility for the Land Fund's Hong Kong equity portfolio, worth about HK$12bn. This creates a longer-lasting role for EFIL – whose mandate on the original portfolio is to quit the market with the minimum of disruption – and could enshrine a mechanism for managing shares in future.

While the government is eager to divest itself of the shares bought in August, it has said it may consider investing part of the reserves in Hong Kong shares in the future.

Mr Yam, who engineered the purchases but is now distanced from the shareholdings, said one exit idea he found "interesting" was to unitise the portfolio and auction it off. If small units, mutual fund style, were created retail investors as well as institutions would be able to join the bidding.

Yesterday the government said pooling the Land Fund – which will remain a separate government fund after merger – would allow it to achieve better returns for lower volatility. The Land Fund's larger equity component has led it to underperform the Exchange Fund, which is mostly invested in debt instruments.

Denise Yue, secretary for the treasury, said it would create greater economies of scale and administrative efficiency and make management of both funds cheaper.

# Tokyo Stock Exchange to close trading floor

By Gillian Tett in Tokyo

As Japan's economic pressures mount, another financial tradition yesterday crumbled. The Tokyo Stock Exchange, which once aspired to overtake London and New York, yesterday decided to scrap its 120-year-old open floor trading amid a funding crisis.

The move is partly intended to bring Tokyo more into line with other exchanges such as London and Paris, which have already replaced open trading with an entirely computerised system, officials say.

However, the exchange also hopes that abolishing the trading floor will enable it to boost its revenues, which have been sharply dented by a drop in the Nikkei index and collapse in trading volumes. Indeed, the situation has become so serious that TSE has recently warned its members that it could post a Y2.9bn ($24m) deficit for the year to April 1999, after recording a Y1.1bn first-half deficit.

Mitsuhide Yamaguchi, TSE president, said: "The function of floor trading is waning and it is costly to maintain the system."

The move is a blow for Tokyo traditionalists, who have long viewed the trading pit as a potent symbol of Kabutocho, Tokyo's equivalent of Wall Street. The current lavish trading floor started operating just before the "bubble economy" developed in 1985.

However, the TSE has recently updated its computer systems, leaving the role of the trading floor faltering. Indeed, the TSE calculates that only 6 per cent of trades now take place on the floor, which costs around Y300m a year to run. Mark O'Friel, a Tokyo managing director of Morgan Stanley, said: "This reform is an efficient and rationale move. It will probably not have too much impact on liquidity."

The TSE has not yet decided how it will use the old trading floor. However, some officials have suggested putting the computer systems there so it can serve as a tourist attraction, or moving the TSE administrative offices on to the site to cut costs.

The TSE is also considering other measures to raise revenues, such as increasing the cost of listing fees. And although some brokers have warned this may discourage listings, Mr Yamaguchi also unveiled new plans to attract additional members by relaxing other listing requirements. "It is necessary to make the TSE more effective by reducing costs and speeding up transactions," Mr Yamaguchi said.

Over the last year a clutch of non-Japanese companies, such Cable and Wireless, have delisted from the TSE, claiming that trading volumes are too low to justify the expense of a listing. This has brought the total number of non-Japanese companies which are listed down to 51, from a peak of 127 earlier this decade.

Meanwhile, daily trading volumes have fallen to around 400m shares, less than a third of their levels during the 1980s bubble. This is expected to fall even further in the coming months when the government introduces new forms of "off exchange" trading as part of Big Bang deregulation, which will allow brokers to circumvent the TSE.

Traders will bid farewell to the Tokyo exchange trading floor

## NEWS DIGEST

**EARLY SELL-OFF FOLLOWS EXPLOSION**

### Victoria to privatise state gas companies and grid

The state government of Victoria yesterday announced plans to privatise fully the state's gas industry, in what would be one of Australia's most ambitious utilities sell-offs.

The A$5bn (US$3.2bn) proposal to sell off the state's three gas distribution companies and gas transmission grid followed a disastrous explosion in late September at Victoria's only gas processing plant. The accident halted gas supplies to most of the state and crippled local industry through most of October.

Public outcry over the gas disruption encouraged the government to announce the privatisation plan earlier than expected after it was forced to shelve the scheme temporarily in July. Gwen Robinson, Sydney

**PAKISTAN JUSTICE SYSTEM**

### Sharia laws under fire

The Human Rights Commission of Pakistan (HRCP), Pakistan's largest private watchdog, yesterday strongly criticised Nawaz Sharif, prime minister, for proposing a controversial Islamic justice system in the country, like that introduced by Afghanistan's Taliban rulers.

Mr Sharif intensified efforts this week to win support of the Senate, the upper house, for new Islamic "shariah" laws already approved by the national assembly, the lower house, this summer. But he appears to be short of the two-thirds majority support required in the Senate.

The HRCP said: "That [Islamic law] will doubtless bring peace – peace of the graveyard. It will ensure that countless innocent people are executed because of suspicion and because punishment has to be meted out in a desperate hurry." Farhan Bokhari, Islamabad

**INDIAN PRIVATISATION**

### Concor sell-off success

India's long-delayed privatisation programme notched up its first success yesterday with the sale of a Rs2.25bn ($53.2m) stake in Container Corporation (Concor), the state-owned transport company.

The Concor sale is the first in a series of disinvestments which the government hopes will raise Rs50bn by the end of the financial year – money badly needed to help control India's widening fiscal deficit.

However, more than half the Concor shares were bought by state-owned financial institutions which were encouraged to bid for shares by the government. This has raised doubts about whether ownership of the company has really been transferred from the government. Krishna Guha, Bombay

# Beijing's turn of the tap increases Chinese companies' thirst for funds

Piecemeal closure of over-the-counter markets has hurt savers and fund-raisers in the provinces. **James Harding** reports

China's financial reformers have embarked on the piecemeal elimination of regional over-the-counter (OTC) markets, a move that is likely to shut off another channel of funds to small and medium-sized companies in the provinces.

Beijing's quiet closure of the second-tier stock markets in recent months marks the government's determination to shut down the shaky institutions at the margins of the financial system that are seen as a threat not just to investors but to social stability in general.

The authorities last week closed Wuhan Securities Trading Centre, one of the largest unofficial OTC exchanges in central China's Industrial heartland. But it has since emerged that smaller OTC markets, which have sprung up in the 1990s in cities across China, have also recently been shut down. And the larger regional markets, which flourished while Beijing chose to ignore them, are expecting imminent closure.

The over-the-counter market in Zhengzhou, capital of Henan, was closed without any public notice at the end of September.

"The regulators have closed the OTC market, because it has proved difficult to manage and easy to manipulate," said an analyst at Henan Jinbo Investment Consultancy, an active participant in the old Zhengzhou market. In Yichang and Jinzhou, two cities near Wuhan, local OTC markets have also been closed this year. In the northern coastal city of Tianjin, investors are expecting the closure of one of the largest over-the-counter markets. At its peak in 1996 and early 1997, Tianjin saw daily turnover worth the equivalent of tens of millions of dollars. But turnover has collapsed and half the companies listed have withdrawn as investors and companies have pulled out of the market, fearing the government is poised to step in.

"The market is half dead," said an analyst at the local financial advisers, Tianjin Zhongrong Investment Consultancy. "The OTC market was expected to be closed in October. But, it has been delayed for some reason, perhaps to maintain stability... But closure is inevitable."

The over-the-counter stock markets, which have tended to grow under the patronage of local and provincial authorities but without the approval of the central government, have served as important channels of investment for people in the provinces. At their peak, their total capitalisation is estimated to have been well over $5bn.

Closing the speculative and sometimes shady second tier markets, therefore, may be seen as a threat to the savings of people in provincial cities in China, often the places where state sector reforms have already swollen the ranks of the unemployed.

Last week, more than 200 cheated investors in a savings scam took to the streets in Beijing in one of the boldest public protests in the capital since the 1989 Tiananmen Square demonstrations.

Investors at the Zibo exchange, in eastern China's Shading province, for example, have been awaiting closure, but now suggest the shutdown has been delayed to prevent unrest. The market has already collapsed and, says a representative of Shandong Securities: "Individual investors are complaining."

Local companies that have used the OTC exchanges to raise funds are also likely to feel the strain. The regional stock markets have played only a small part in the funding of non-state companies, but the closure of the exchanges shuts off another financial tap just as the stiffer regulatory environment has squeezed credit from trust and investment companies as well as credit co-operatives.

"Small companies face a lot of difficulties in collecting funds," says the analyst at Henan Jinbo Investment, suggesting the government may have to reconsider the elimination of the OTC markets. "So in my opinion, the development of secondary markets is essential in the future."

### China's foreign exchange reserves increase sharply

China's foreign exchange reserves rose sharply last month, suggesting that the government's crackdown on the illegal forex transactions is taking effect, **James Harding reports from Shanghai.**

The foreign currency reserves increased to $143.7bn at the end of October, compared with $141.1bn the previous month, an official at the State Administration of Foreign Exchange said yesterday. The strong growth in the reserves, which have barely risen for most of this year, is likely to bolster confidence in the Chinese currency. From January to September, China's foreign exchange reserves grew by only $1.2bn, despite continuing foreign direct investment and a trade surplus of $31.3bn in the first eight months of the year.

The anomaly has raised concerns among analysts about the extent of hard currency funds being diverted illegally offshore, suggesting Chinese individuals and enterprises had their doubts about Beijing's commitment not to devalue the currency.

A government think-tank has forecast China's actual foreign direct investment will reach $45bn in 1998, about the same as last year.

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# Colombia tackles financial sector woes

By Adam Thomson in Bogotá

The Colombian government declared a state of emergency late on Monday in order to push through a series of decrees aimed at avoiding a crisis in the financial sector.

The emergency, which lasted just three hours, is a constitutional mechanism which allows the government to adopt emergency measures and bypass Congress.

Speaking on national television late on Monday, President Andrés Pastrana said that without the economic emergency, "the financial crisis could turn into a catastrophe and the country would then suffer a true paralysis".

Mr Pastrana said global financial turmoil was behind the local finance sector's difficulties.

But he also said that record levels of unemployment this year – 15.8 per cent of the workforce in June – and high domestic interest rates – the benchmark deposit rate is now 36.2 per cent, a rise of 11.9 percentage points since January – were to blame.

As part of the emergency measures, the government announced new lines of credit with low interest to alleviate the burden of low- and medium-income families who have fallen behind with mortgage payments.

The government will also guarantee savers' deposits in almost 40 savings co-operatives which have gone bankrupt so far this year.

To ensure greater solidity among co-operatives in the future, Mr Pastrana announced the creation of a co-operative guarantee fund, Fogacoop.

And he said the government would inject fresh funds into the depleted coffers of Fogafin, the financial guarantees fund which bails out the banking sector in times of crisis.

Mr Pastrana said the total cost of the emergency package would be 2,600bn pesos ($1.6bn). According to Juan Camilo Restrepo, the finance minister, the emergency package will be funded mainly via a 0.2 per cent surcharge on all transactions carried out through financial institutions.

The government hopes the package will help resolve a marked deterioration of the country's financial sector this year. High interest rates have caused an increase in overdue loans which now represent 9.3 per cent of total loans compared with 6.3 per cent last year.

In the first nine months of this year, losses in the financial sector were $63.9m, after profits of $420m during the same period last year, according to the country's banking superintendent.

Colombians were reminded of the banking sector's precarious situation – the worst since it suffered general collapse in 1982 – when Fogafin was forced to bail out the country's second largest savings and loans corporation, Granahorrar, recently.

Financial experts yesterday generally supported the measures adopted by the government.

Armando Montenegro, president of the National Association of Financial Institutions, said the surcharge on banking transactions was a necessary evil whose negative effect would be offset by its transitory nature.

Yet the emergency must now be approved by the country's constitutional court.

If the court finds that the underlying reasons for adopting the emergency are structural, rather than new and thus impossible to have predicted, as it did with former President Ernesto Samper's economic emergency in February 1997 – it can reject any of the decrees implemented during the emergency.

# Modigliani makes $15m

Saleroom

By Antony Thorncroft

A portrait by Amadeo Modigliani of his mistress Jeanne Hebuterne, painted in 1919, sold for $15.13m at Sotheby's in New York on Monday night, a record auction price for a work by the short-lived artist.

Modigliani died in 1920, aged 36. Jeanne committed suicide a day later.

The painting comfortably exceeded its top estimate of $12m, and the previous best for a Modigliani of $12.4m, paid in 1995. It was one of 37 works of art sent for sale by Reader's Digest, which collectively totalled $86.58m, with all but four finding new homes.

The collection had been assembled by Lila Acheson Wallace, wife of the founder of Reader's Digest, DeWitt Wallace, in the post-second world war period. The company has sold the paintings, the cream of its collection, in a money-raising exercise but still holds thousands of works of art.

Other highlights were a view of L'Estaque in the south of France by Cézanne, which made $11m; another Modigliani portrait of Jeanne, which sold for $9.9m; and one of Monet's many paintings of his lily pond at Giverny, which also fetched $9.9m.

It has proved an excellent investment: Mrs Wallace paid $23,000 for it in 1956.

A Giacometti bronze of 1950, of seven figures and a head, made $7.48m, an auction record for the artist. Five other casts of the work are known.

The auction lived up to expectations, with the Reader's Digest collection selling well up to target, while the general sale of 41 works of Impressionist and modern art that followed was disappointing.

It totalled $37.2m, with 22 lots failing to find buyers. The top price here was the $5.4m paid for a Renoir portrait of Mademoiselle Grimpel with a blue ribbon.

However leading works by Brancusi, Cézanne and Bonnard were unsold.

The market is very selective, with strong demand for undoubted masterpieces but little interest in routine paintings even by great artists.

The market is also almost entirely supported by private American buyers, boosted by some Europeans.

Dealers are waiting for demand to improve and far eastern collectors, who fuelled the great art boom of a decade ago, remain absent from the market.

There was also little interest from Latin American collectors, reflecting the anxiety about the economic situation which exists outside the US.

Modigliani's portrait of Jeanne Hebuterne, which made a record price for the artist

# Bankers agree rollover of Brazilian debt

By John Authers in New York

Brazilian financial officials yesterday claimed they had won broad support from Wall Street bankers for an informal rollover of Brazil's short-term debt, as they embarked on an international "roadshow" supporting the International Monetary Fund's programme for the country.

Last week, Brazil announced a $41bn financing package through multilateral government agencies, including the IMF, the World Bank, and the Bank for International Settlements.

However, Pedro Malan, finance minister, said in New York Brazil had never asked for a separate private-sector "bank plan" as was organised by international banks for Korea earlier this year, and it had never asked for a specific sum. He said: "There's no such thing as a formal set of demands on the banks. It will be up to every institution to consider its own financial interests."

He also stressed that the programme was precautionary, and its ultimate success would be gauged by how much of the finance facility it needed to use.

William Rhodes, who heads international risk management at Citibank and who informally led negotiations between banks and Korea, said banks meeting the Brazilian delegation had "offered voluntarily to maintain their trade and inter-bank lines", in an informal rollover of outstanding Brazilian debt.

Mr Malan said he believed banks wanted to see "a continuation of the path we've been following for the last few years, and the continuation of fiscal stability and reform".

Mr Malan and other Brazilian finance officials said Brazil's high domestic debt was "mainly an issue for the international press" who did not realise most of it was held by domestic investors such as pension funds and mutual funds.

He said: "The issue of domestic debt is mostly a domestic question. The issue of external debt is different and we don't in any way mix the two areas."

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## NEWS DIGEST

### US ECONOMY

## Inflation subdued despite petrol price increase

Inflation in the US economy remained tame in October in spite of a jump in petrol prices, the Labour Department said.

The Consumer Price Index, the government's main inflation gauge, increased by 0.2 per cent after remaining flat in September. The closely watched core CPI, which excludes volatile food and energy costs, also rose by 0.2 per cent last month after an identical rise in September.

The readings for both the overall CPI and the core index matched the forecasts of US economists in a Reuters survey. The CPI gain was muted even though petrol prices surged 2.7 per cent in October, their largest monthly gain since a 4.6 per cent rise in August 1997. **Reuters, Washington**

### MICROSOFT

## IBM backs antitrust case

International Business Machines threw its support behind the US government's antitrust case against Microsoft yesterday when one of its senior executives testified that Microsoft had abused its monopoly power to block rival products.

John Soyring, IBM's director of network computing software services, said Microsoft had extended its market power over Windows – the operating software which drives more than 90 per cent of the world's personal computers – into new areas.

In his written evidence, Mr Soyring said Microsoft had the ability to "use the pervasive distribution of Windows to leverage its applications over the products of specific competitors".

In particular, Mr Soyring said that internet software developed by Netscape Communications – the alleged victim of Microsoft's antitrust violations – had the power to "undermine Windows". **Richard Wolffe, Washington**

### INTERNET ADDRESS SYSTEM DEBATE

## Network Solutions chief quits

Amid continuing debate over the future of the internet address system, one of the chief protagonists has dropped out. Gabe Battista, chief executive of Network Solutions, the company that runs the primary domain name registry for the internet, announced his resignation this week.

This follows the decision by Ira Magaziner, senior White House adviser, to resign by the end of the year. Mr Magaziner has spearheaded the US administration's internet policy and has led efforts to mediate the transfer of responsibility for the address "domain name" system to the private sector. **Louise Kehoe, San Francisco**

European internet e-commerce, Page 12

**On the web** today
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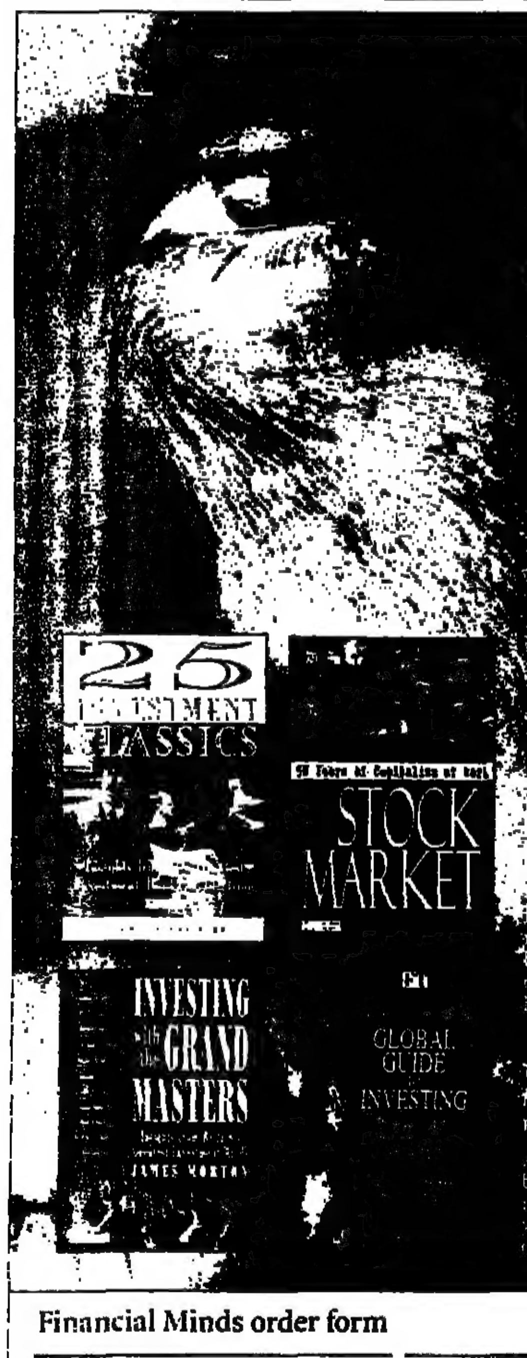

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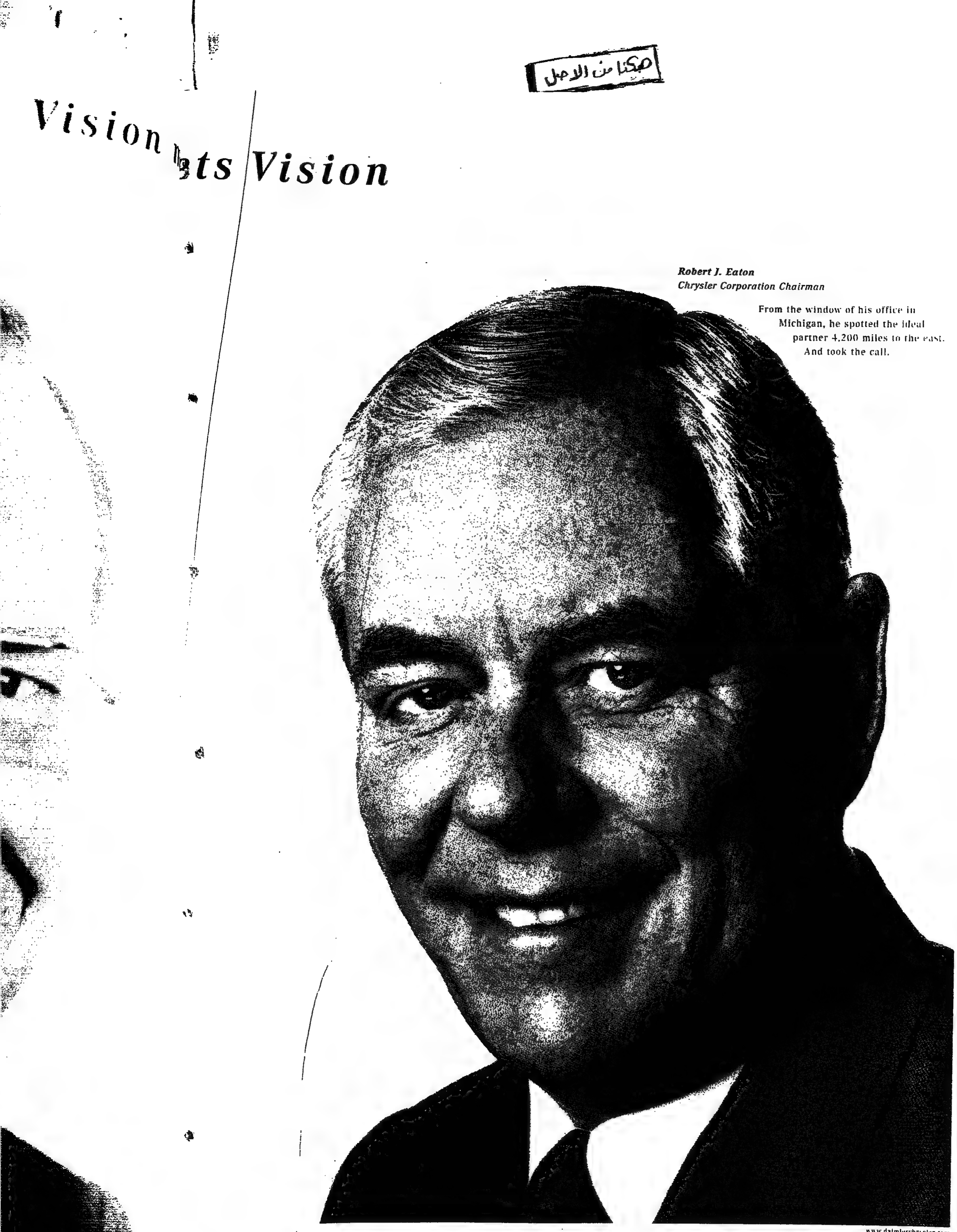

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# Order boosts Airbus in small airliner market

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie's plans to enter the 100-seat market were boosted yesterday when International Lease Finance Corporation of the US said it would buy small jets from the European consortium rather than from Boeing of the US.

ILFC said it planned to order 30 Airbus A318 aircraft rather than Boeing 717 jets. ILFC is the first company to commit itself to buying the A318, which is expected to enter service in 2002.

Steven Udvar-Hazy, ILFC's chief executive, said airlines would prefer the A318 because it was part of the Airbus A320 family. He said this would give airlines "lower operating costs as well as fleet planning and flexibility".

The 717 was originally developed by McDonnell Douglas, which Boeing acquired last year, and therefore differs from other Boeing products.

Airbus announced its decision to seek customers for the A318 at the Farnborough air show earlier this year. The consortium – which is owned by DaimlerChrysler Aerospace of Germany, Aerospatiale of France, British Aerospace and Casa of Spain – has not yet made a formal decision to go ahead with the aircraft, but said it expected to do so by early next year.

"With an endorsement as strong as ILFC's we feel very confident that our programme is obtaining the market acceptance we expected," John Leahy, Airbus's senior commercial vice president, said.

Airbus decided to go ahead with the A318 after the collapse of plans to build a 100-seat jet jointly with Aviation Industries of China (Avic) and Singapore Technologies. Airbus decided it would be more economical to build the A318 as a derivative of the A320 family than to develop a wholly new aircraft with Asian partners.

The A318 will be powered by engines from Pratt & Whitney of the US.

ILFC's decision is a setback for Boeing, which has struggled to find customers for the 717. It has so far announced firm orders for about 50 of the aircraft.

# Sales of software games in Europe booming

By Alice Rawsthorn in London

Western Europe's leisure software market will expand by $2bn to reach $6.44bn this year, outstripping the video and cinema businesses, according to a study by Screen Digest magazine and the European Leisure Software Producers Association.

However, the study also predicts significantly slower growth for 1999 and a decline in 2000.

Leisure software, or video and computer games, has been one of western Europe's fastest growing consumer product sectors in the late 1990s, because of the success of the Sony PlayStation and Nintendo 64 games consoles and the popularity of CD-Rom games for personal computers.

Sales of games software in the region have soared from $1.43bn in 1994 to $4.32bn last year, when PC game sales totalled $2.39bn and console games $1.94bn. Growth in western Europe was slightly higher than for the global market, where sales rose from $5.12bn in 1994 to $14.08bn in 1997.

Some 11,000 people are employed in developing leisure software in western Europe, and the UK is renowned for the talent of its games designers. Three of the 15 best-selling console games in the US last year – *Diddy Kong Racing* and *Goldeneye 007* by Rare and Edios' *Tomb Raider II* – were developed in the UK.

Western European games sales are poised for further growth this year, with the number of consoles sold increasing to 10.38m from 7.13m in 1997. Sony's PlayStation will remain the market leader by selling 7.13m consoles in 1998, followed by the Nintendo 64 with 3.16m and Sega's Saturn with 100,000.

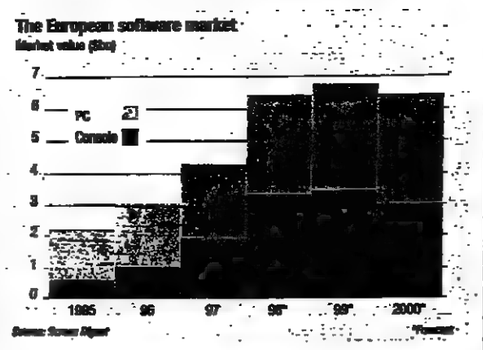
This buoyant picture follows a sluggish period in the early 1990s when sales of the old generation of 8-bit and 16-bit games consoles, which preceded the 32-bit PlayStation and Saturn, fell sharply.

Sales of 32-bit systems will peak this year, according to the study. Total console sales are expected to fall to 7.55m units next year, and to 5.5m in 2000.

Software sales will peak at $6.78bn in 1999, when the console sector will be worth $3.47bn and PC games $3.32bn. The market will then contract to $6.44bn in 2000, but is expected to revive after Sega launches its new Dreamcast system and Sony introduces the PlayStation's successor.

Another source of growth is expected to be the installation of Digital Versatile Disc (DVD) drives, rather than CD-Rom drives, in personal computers.

The memories on DVD disc are nine times larger than those of CD-Roms, which enables the games




created for them to be faster and more sophisticated. Nearly 50 DVD games go on sale this Christmas.

*The European Interactive Leisure Software Industry, £490 ($813), Screen Digest, Lymehouse Studios, 38 Georgiana Street, London NW1 0EB. Tel: +44 171 482 5842.*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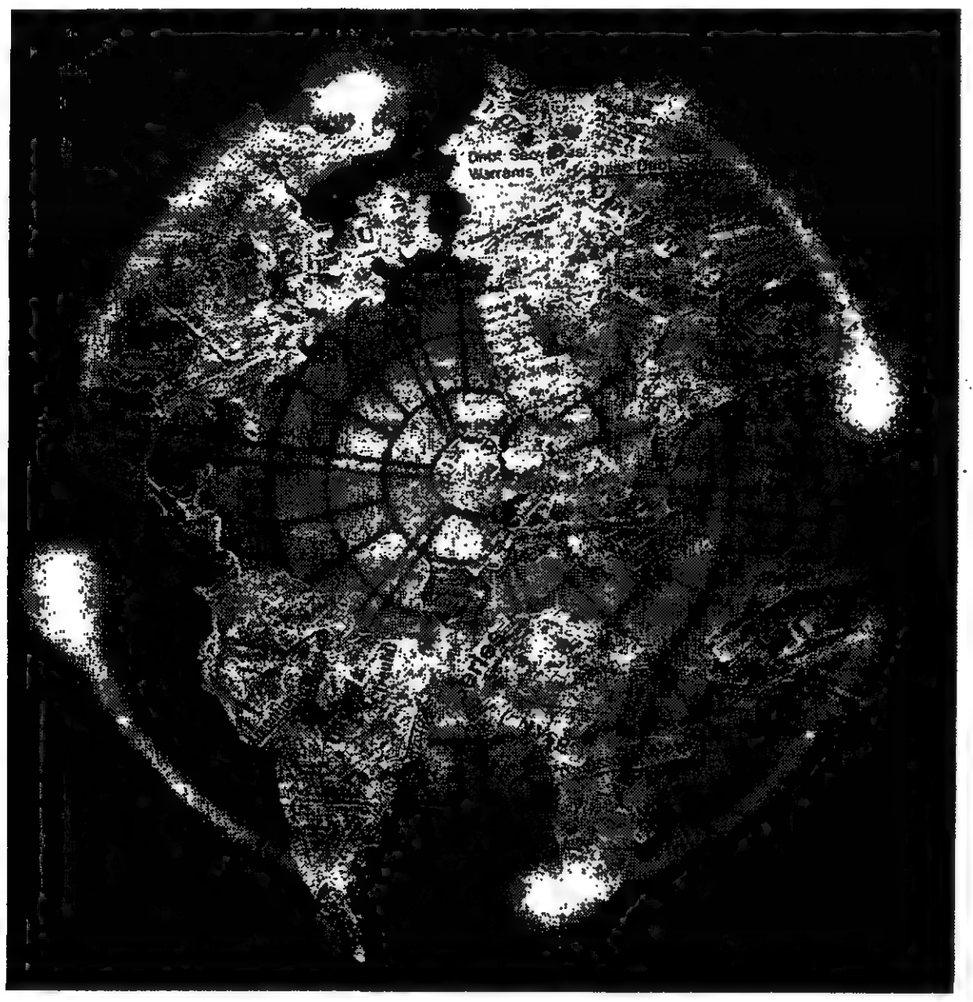

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INTERNET SHOPPING

# EU to apply single market to electronic commerce

By Emma Tucker in Brussels

The European Commission is planning to give internet users the advantages of a single market for electronic shopping under proposals expected to be adopted today.

The proposed extension of the single market to cover goods and services sold over the internet will be put forward by Mario Monti, the internal market commissioner.

The draft legislation seeks to knock down national restrictions on the use of electronic media to allow business and consumer internet services to develop smoothly and rapidly across the EU.

But the plans are being fiercely resisted by consumer organisations who say they are confusing and will jeopardise consumer protection laws.

Under the proposals online businesses will be allowed to offer their services anywhere in the EU provided they comply with the law of the country where they are based.

Beuc, the European consumers association, argues that "home country control" will oblige consumers to understand the laws of 15 member states if they want to buy anything on the internet.

"As it stands, the draft proposal applies a simplistic, sledgehammer approach of home country control to all marketing and advertising in electronic commerce in the EU," said Beuc. "Consumer confidence in the new technologies will be seriously undermined if consumers find that their traditional consumer protection rules can no longer protect them in this area."

The Commission retorts that its approach is the only one that both overcomes barriers to cross border trade while not imposing a heavy regulatory burden on a rapidly developing sector.

"We don't know how the industry is going to develop from a technological point of view," said an official. "Mutual recognition of each other's laws is the most efficient and least intrusive way of creating a single market."

The proposals have been warmly welcomed by internet service providers. "If electronic newspapers had to comply with all the different national rules in every country of the Community with regard to editorial as well as advertising content, the administrative burden would be disproportionately high," said Sir Frank Roberts, chairman of the European Publishers Council.

The proposals will have to be approved by the Council of Ministers before becoming law, and could face substantial amendment by the European parliament.

As drafted, they establish specific harmonised rules only in a limited number of areas including the definition of where operators are established, electronic contracts, the liability of intermediaries, the settlement of disputes and the role of national authorities.

For contracts the proposed law will oblige member states to remove any prohibitions on the use of electronic media for concluding contracts (such as a requirement that contracts be drawn up on paper), and clarify the moment of conclusion of a contract.

Intermediaries that transmit and store information will be exempted from liability where they play a passive role as a simple transporter of information.

Member states would only be allowed to block an internet service from another country to protect the public interest – but the Commission would be the judge of whether such action was necessary.

BANANA DISPUTE

# WTO enters uncharted territory

By Frances Williams in Geneva

"I don't think it was a deliberate middle but we just didn't think of all possibilities," one former trade diplomat said last week as the US and the European Union sparred over the meaning of the World Trade Organisation's dispute settlement rules he had helped negotiate.

Both Washington and Brussels claim to have the law on their side in the latest skirmish of their long-running banana battle, which risks blowing up into a full-scale trade war. At issue is whether or not the US is entitled to retaliate against the EU for failing to comply with WTO rulings against its import regime for bananas.

Since this is the first case since the WTO's creation in January 1995 where compliance has been disputed, there are no legal precedents. The US is relying on provisions in the WTO dispute settlement understanding stating that if a member fails to comply with panel and appellate body rulings by an agreed date – January 1 for bananas – the complaining country can ask for authorisation to impose compensating sanctions.

Authorisation cannot be refused, though the offending country can challenge the level and nature of the retaliation and seek arbitration, which must be completed within 60 days of the compliance deadline. Washington says that if the case goes to arbitration it will impose the sanctions no later than March 3.

However, the dispute settlement understanding also states that if there is a disagreement over whether a country has complied with the rules this should be settled using the dispute procedures "including wherever possible resort to the original panel".

Brussels, which insists that its new banana import regime is in line with WTO rules, maintains that the US will be acting illegally if it imposes sanctions without going through the panel process and has threatened to haul Washington before the WTO if it goes ahead. This view now appears to be shared by most independent legal experts.

To Washington's understandable frustration, the EU is doing its best to delay the formation of a panel to the last possible moment, which is January. Once convened, however, the panel is bound to report within 90 days – half the time normally given to panels – and if it finds against the EU the US would be entitled legally to impose sanctions.

The EU could use further stalling tactics including resort to arbitration and/or another (expedited) appeal to the WTO's appellate body, adding a couple of months to the process. But after that the EU would have no choice but to amend its banana regime yet again or suffer US retaliation indefinitely.

While further delay would undoubtedly be irksome, the US administration must weigh whether flouting WTO rules – and provoking a trade war with its biggest trading partner – is really in US interests.

"To do it the other way would cause enormous damage to the WTO system," one senior trade official says. The US would also find it an awkward precedent if its own WTO compliance came into question in some future dispute.

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**THE ECONOMY** CHANCELLOR IS WARNED OF BLEAKER OUTLOOK THAN SUGGESTED IN HIS PRE-BUDGET REPORT

# OECD issues growth alert

By Robert Chote, Economics Editor

The Bank of England, the UK central bank, could push Britain into recession if it overstates inflationary pressures in the labour market and delays further cuts in interest rates, according to the Organisation for Economic Co-operation and Development.

In its twice-annual Economic Outlook, the Paris-based industrial country think-tank warned that the outlook for the UK economy was bleaker than Gordon Brown, the chancellor, suggested in his Pre-Budget Report earlier this month:

"The challenge facing policy has shifted from orchestrating a needed slowdown in growth, *towards avoiding* unnecessarily low growth."

The OECD is responsible for the forecast, but the Treasury can comment on provisional estimates and analysis. Mr Brown will welcome the organisation's advice to the Bank on interest rates, even though it casts doubt on his forecasts.

The Pre-Budget Report predicted a relatively shallow *downturn next year*, with the economy returning to its long-run growth rate in 2000. The OECD expects growth well below trend in both years, implying a *big* increase in joblessness.

The OECD expects the economy to grow by 0.8 per cent next year and 1.5 per cent in 2000. *The Treasury* had forecast growth of at least 1 per cent next year, with a rebound to 2.25 per cent *or* more in 2000.

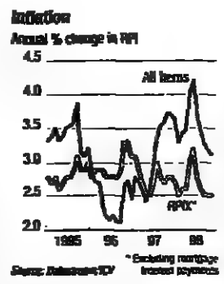
The OECD warned that it was difficult to predict the speed and eventual depth of *the economic slowdown in* Britain, because of the uncertain world outlook. "With activity weak, inflation should remain low, but *labour market conditions* will weaken and lead to higher unemployment."

Unemployment is forecast to rise by more than 500,000 *over the next two years*, from its current 6.2 per cent of the workforce to 8 per cent in late 2000 – above the level inherited by the Labour government from its Conservative predecessors.

The OECD warned that *the slowdown would push* government borrowing above Treasury forecasts. But the government should still meet its "golden rule" comfortably, borrowing no more than it needs to invest.

Unlike the UK Treasury, the OECD expects inflation to rise in the short-term.

● *The underlying measure* of inflation, RPIX, which excludes mortgage interest payments, has hit the Bank of England's targeted annual growth rate of 2.5 per cent for the third month running. Heavy discounting on household goods and clothing helped drive the annual *increase in the retail prices* index down from 3.2 to 3.1 per cent in October. The all-items index was 164.5, the Office for National Statistics said yesterday.




# Central bank optimistic on threat of downturn

By George Graham, Banking Editor

The UK financial system is in much better health at the onset of the current economic slowdown than it was before the recession at the start of the 1990s, according to an analysis published by the Bank of England.

The analysis in Financial Stability Review – a periodical published jointly by the UK central bank and the Financial Services Authority, the regulator – points out that official interest rates had risen much more sharply in the run-up to the last recession, but the real exchange rate had fallen.

Over the past two years, however, official interest rates have been increased by only 1¾ percentage points in nominal terms and ¾ percentage point in real terms, while the real exchange rate has appreciated.

The study compares indicators of financial fragility from 1989 with the first half of 1998, and finds that:

● Companies are "in aggregate at least, more financially robust currently than ten years ago". The number of liquidations is higher, but in proportion to the greater number of companies now in existence the liquidation rate is lower. Debt levels are no higher, and liquidity appears stronger.

● Individuals are financially stronger, with the wealth tied up in their homes looking much more secure than a decade ago. The fall in UK share prices will have increased the ratio of household debt to net wealth by perhaps 1 percentage point – still below the peak of the last recession. Yet the analysis also says: "We are also starting this downturn with three times as many personal bankruptcies as in the late 1980s."

● Banks are in good shape, with profits at the "Big Four" English clearing banks twice as large in relation to assets as in 1989.

The review raises doubts about the usefulness of attempting to tighten the regulation of hedge funds. An editorial comment questions why hedge funds should be singled out from other investors.

However, it acknowledges concerns about the extent to which banks and their regulators recognise concentrations of lending to specific sectors, and about whether banks were collecting enough margin from hedge funds they lent to.

A wider issue raised by the review is whether banks are being driven into riskier loans as more of their traditional lending business is displaced by capital markets.

"This may lead to some tension between the general expectation that large-bank liabilities are very low risk, and the risk characteristics of the assets which back them," the review notes.

# N Ireland police assured on abolition

By John Murray Brown in Dublin

The UK government moved yesterday to reassure the Royal Ulster Constabulary (the Northern Ireland police force) *there were no plans* for the force to be abolished as part of a trade-off with the Irish Republican Army on handing over weapons.

Les Rodgers, head of the Northern Ireland Police Federation, which represents 12,500 police officers in the region, told a federation conference in England that the government would create "a blank canvas for new terrorism" if it allowed the decommissioning of paramilitary weapons to be linked to changes to the police.

"Increasingly my members see that there are subtle but mounting pressures to create a climate for a trade-off in which the price of decommissioning will be the future of the RUC," said Mr Rodgers. "So desperate are we all for peace that even this dangerous notion may have its supporters." He said decommissioning was not even on the terrorists agenda.

Sinn Fein, political wing of the IRA, reacted angrily to Mr Rodgers' comments. Gerry Kelly, a Sinn Fein *assembly member*, accused him of attempting to influence the independent commission on policing headed by Chris Patten, the former Hong Kong governor. "Mr Rodgers should reconcile himself to the fact that the RUC must be immediately disbanded and replaced with an unarmed, accountable and community based policing service," he said.

Evidence from Sinn Fein to the Patten commission calls for disbandment of the RUC, which it alleges is sectarian and incapable of winning support in nationalist areas. It calls for former IRA members to be incorporated into a new police service.

The April peace agreement calls on all parties to "use their influence" to complete the decommissioning of all *illegally* held arms by the summer 2000.

# 'Cluster' companies benefit from being neighbours in reality

Entrepreneurs in cyberspace happily work face-to-face. **Simon Beavis** reports

If digital technology means the "death of distance", the days when companies benefited from locating themselves in a cluster should be over.

Yet Peter Mandelson, chief minister for industry, is expected to use a policy paper on competitiveness due soon to promote clusters in regional economic policy, and what most regions want – a new-media cluster.

Sussex in southern England has become home to some of the sharpest innovators in new media, who *are finding* it possible to thrive a short distance from London.

There are now more than 350 companies – covering all *branches of new media from* the design of internets, intranets and extranets, digital TV production, telecommunications and advertising – *operating in the counties of* East and West Sussex. Together they employ about 3,000 people and have an estimated combined turnover of *£800m ($498m)*. Increasingly, they are sharing the benefits of a close corporate neighbourhood which is real and not just virtual.

Brighton on the south coast – always a Bohemian and creative town with strong links to the London media – is the hub of this network and is fed with a stream of talent from an art college, two universities and a technical college.

The companies have been brought closer by an organisation called Wired Sussex, a small subsidiary of Sussex Enterprise, the local Training and Enterprise Council. Member companies – mostly small and highly entrepreneurial – are offered support, guidance, promotion and the chance to *share big* costs, such as attending conventions and trade shows, all free.

The organisation – established last year with *a staff* of five – also produces an annual file detailing member companies and their skills. It is organising the infrastructure for a *secure trial of electronic* commerce by local companies. The aim is less to provide technological expertise than to act as a conduit for shared expertise, funding and partnership between companies, public sector organisations and academic institutions.

"However good your technology is, geography and community of interest will still make the biggest difference," says Sarah Turner, project manager. "A lot of what I am doing is brokering networks. You can achieve a lot communicating electronically, but the most important work is done face-to-face."

It is a myth that the new-*media industry is full of* technologists occupying remote corners of cyberspace. In fact, many people operating in the sector are *highly creative and not very* technological. Without other people's expertise, they simply couldn't operate.

John Worth, production director of JWM Creative, a four-year-old interactive design agency whose products include D-code – an award-winning drugs awareness *CD-Rom* – says the company is operating in a variety of relatively unexplored disciplines. In that world, partnership is vital.

Donald Clark, chief executive of Epic, an interactive media company which designed the Planet Britain web site for the Foreign Office, is a recent convert to the power of clustering: "I was a sceptic before Wired Sussex came along," he says.

Epic, the largest company under the Wired Sussex umbrella, joined two local rivals, Futuremedia and Maxim Training, to form the Strata Consortium. Helped by some £6,000 of seed funding from Wired Sussex, Strata won a contract to design and develop the front door – a CD-Rom linked to a web site – in the government's new University for Industry.

Mr Clark says the chances of the three companies coming together without such outside help were limited. "As competitors in the market, we rarely, even got an opportunity to speak."

## Oracle plans $33m expansion

Oracle, the US-based business software group, is to set up a £20m ($33m) regional headquarters at Blythe Valley Business Park in the English Midlands, **Paul Taylor writes.** Peter Mandleson, the chief industry minister, yesterday hailed the development as evidence that the West Midlands "is a major player in attracting jobs and new investors to the UK". Oracle, which is best known for its database software, has been expanding rapidly in the UK in recent years.

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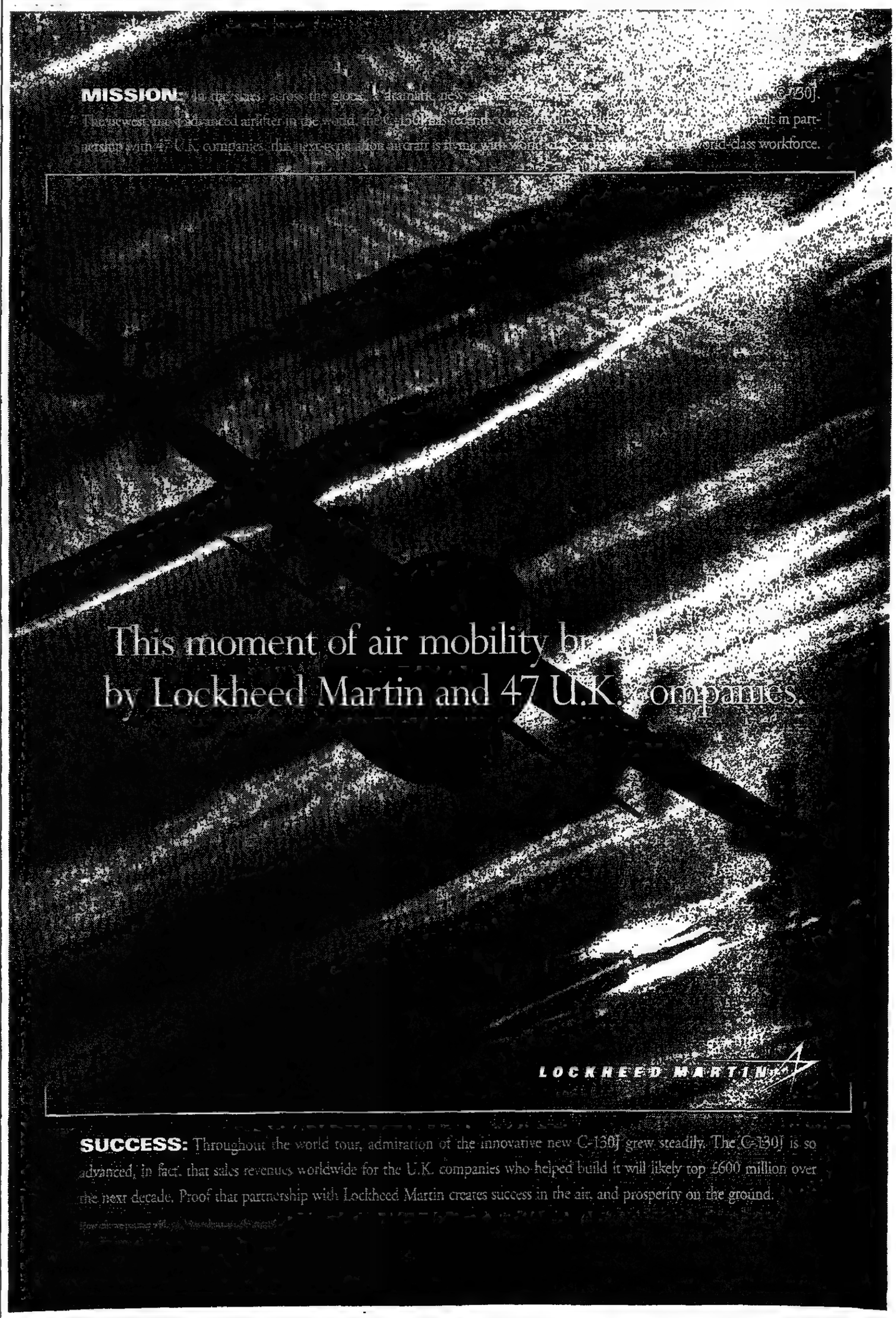


**ETHICS DRIVE** FOREIGN SECRETARY ENCOURAGES BUSINESSES AND CHARITIES TO ACT RESPONSIBLY OUTSIDE UK

# 'Global citizen' unit launched

By Deborah Hargreaves in London

Robin Cook, the foreign secretary, yesterday launched a global citizenship unit in the Foreign Office to encourage British businesses and charities to act in a responsible way outside the UK.

He said the unit would aim to ensure that "responsible behaviour goes hand-in-hand with competitive advantage." In a speech at a business dinner in London yesterday, he said: "I want our embassies to be catalysts for global citizenship – helping companies act responsibly overseas and get the maximum benefit from doing so."

He hopes companies will give priority to environmentally-friendly business practices and shun the use of child labour.

Cadbury, the chocolate maker, was praised in Mr Cook's speech as a company that had helped cocoa growers in Ghana improve their output over 100 years and sell their beans on the open market.

Mr Cook's initiative comes as part of the Labour government's attempt to promote a more ethical content to its foreign policy. But it follows an interview last week where Mr Cook denied coining the phrase "ethical foreign policy," which, over the past 18 months has come to haunt him.

When Labour came to power in May 1997, Mr Cook said the new government wanted to make Britain a force for good in the world, supplying an "ethical content" to foreign policy.

But the press adopted the shorthand version and referred to an "ethical foreign policy." Mr Cook said in a recent interview: "I've never used the phrase. I never said there would be an ethical foreign policy... People see that phrase and see it as grandstanding."

● The government yesterday declared that efforts by industrialised countries to negotiated a multilateral agreement on investment had effectively ended, Liam Halligan and Guy de Jonquieres write. Brian Wilson, trade minister, told MPs that last month's decision by France to withdraw from negotiations over the MAI meant discussions of the prospective agreement, conducted by industrialised countries over the last three years, had failed.

"The French decision effectively ended the MAI - so let's not study the entrails too closely, but let's get on with constructing something else," Mr Wilson told the House of Commons environmental audit committee.

He said discussion of the MAI conducted by members of the Organisation for Economic Co-operation and Development had raised a number of political concerns about the prospect of a set of binding international rules for the treatment of foreign direct investment.

At the annual OECD ministerial meeting in April, the 29 member states agreed to a six-month period to consult domestic public opinion.

# N Sea oil sector to be supported, says minister

By Robert Corzine and David Wighton

The government yesterday vowed to support the North Sea petroleum industry at a time when production costs of some fields are close to the current, depressed price of crude oil.

In announcing the formation of a government/industry task force to investigate ways to lower the cost base of the offshore industry, Peter Mandelson, the chief industry minister, said: "I will not sit back and watch the decline of the UK oil and gas industry under the impact of the low world oil price."

John Battle, the energy minister, will chair the panel, which will also include Lord Macdonald, the minister for industry and business at the Scottish Office. A number of senior oil industry executives have also been appointed.

The panel is due to report to Mr Mandelson by next summer on ways to enhance the competitiveness of the UK oil industry, which employs 30,000 offshore workers and supports 300,000 other jobs.

Although Mr Battle said the panel would look at issues such as exploration licensing and the decommissioning of obsolete platforms, he suggested that much effort would be directed at streamlining the supply chain in the industry.

The formation of the panel marks something of a turnaround in government policy towards the industry. In September, the Treasury dropped plans to raise taxes on offshore producers. At the time it blamed low oil prices although many oil executives believe political factors in Scotland, the centre of the offshore industry, also played a big part in the decision.

The opposition Conservative party dismissed the announcement as "fine words" claiming the government was undermining the industry through its moratorium on new gas-fired power stations.

# Branson targets more rail routes

Virgin Rail, Richard Branson's train operating company, plans to launch rail services in parts of the UK not covered by its existing two franchises when the rules governing rail competition are eased in 2002, Charles Batchelor writes.

Virgin will have plenty of spare capacity when new trains are delivered over the next few years, Mr Branson said yesterday after the unveiling of a £500,000 ($840,000) design centre at a factory of Alstom, the Anglo-French engineering group, in Birmingham, the English Midlands' principal city. He is pictured at the design centre with a mock-up and drawing of a Virgin tilting train.

"When the rules allow open access in 2002, we will have more trains than we need for our own services," he said. "We will get out and compete on new routes."

The rail regulator is to open 20 per cent of current rail revenues to competition from next September and plans a further liberalisation in 2002 though he will not allow "cherry picking" of the most profitable services.

Virgin has ordered 54 electric tilting trains from Alstom and Fiat for its west coast route between London and Scotland but would have six spare to run on other routes. It has an option to order a further 20.

It has also ordered 77 diesel powered trains from Bombardier of Canada for its cross-country routes and will also have trains spare for other services.

Lex, Page 20

# Investors 'should bear some costs' of mis-selling

By Christopher Brown-Humes in London

Shareholders of insurance companies involved in pensions mis-selling should bear a "substantial" part of compensation costs, the all-party Treasury committee of the House of Commons said yesterday.

It was one of several recommendations to the government, Treasury and Financial Services Authority to ensure that the £11bn ($18bn) scandal, which has affected hundreds of thousands of people, is never repeated.

As the scandal has unfolded, concerns have repeatedly been expressed about how compensation bills are paid, amid fears that one set of consumers will end up compensating another and suffer lower policy pay-outs as a result. Mutual companies have only policyholder funds to fall back on, but there is more discretion in shareholder-owned companies.

The committee said: "Shareholders, who benefit from the profitability of the company, should bear a substantial part of the loss. Placing responsibility on shareholders will encourage better management in future." The conclusion was welcomed by the Consumers Association which described the report as "a major breakthrough."

The MPs also hit out at the commission system which many observers blame for exacerbating the incidence of mis-selling. "The Financial Services Authority should develop guidance so that excessive dependence on commission-based selling is reduced. In addition, there should be a mechanism for checking compliance with the rules before commission is paid."

Lex, Page 26

## NEWS DIGEST

### LONDON AIRPORT NOISE

## Government rejects call for ban on night flights

The government yesterday rejected demands for a ban on night flights at London's airports, saying that it would damage the UK's competitiveness. However, Glenda Jackson, aviation minister, said the government would attempt to reduce noise at Heathrow and Gatwick airports, partly by encouraging airlines to use quieter aircraft. Noise at Stansted airport, where traffic is growing, would rise gradually.

Industry observers believe BAA, which owns the airports, is ready to ban night flights at Heathrow in return for government approval for a fifth terminal at the airport. The government statement said: "It seems clear that UK airlines and airports would stand to lose business, including in the daytime, if prevented by by unduly severe restrictions from offering limited services at night. Users could also suffer." **Michael Skapinker, London**

### PHARMACEUTICAL RESEARCH

## 'More potential medicines'

The number of potential medicines undergoing research in the UK has almost doubled in the past four years, the Association of the British Pharmaceutical Industry reported yesterday. It showed that 42 companies had a total of 337 drug candidates in various stages of development, from early "discovery research" to final clinical trials. The equivalent in 1994 was 219 drug candidates. The increase was mainly a result of the emergence of specialist biotechnology companies, and new techniques which greatly speed up the research process. **Clive Cookson, London**

### 'MILLENNIUM CITY' DECLARED

## $10bn for London celebrations

London yesterday declared itself "the millennium city" with more than £6bn ($10bn) invested in new attractions coming on stream for year 2000 celebrations. The investments, which include the £758m Dome at Greenwich, in south-east London, are "unparalleled in any other city in the world", according to the London Tourist Board.

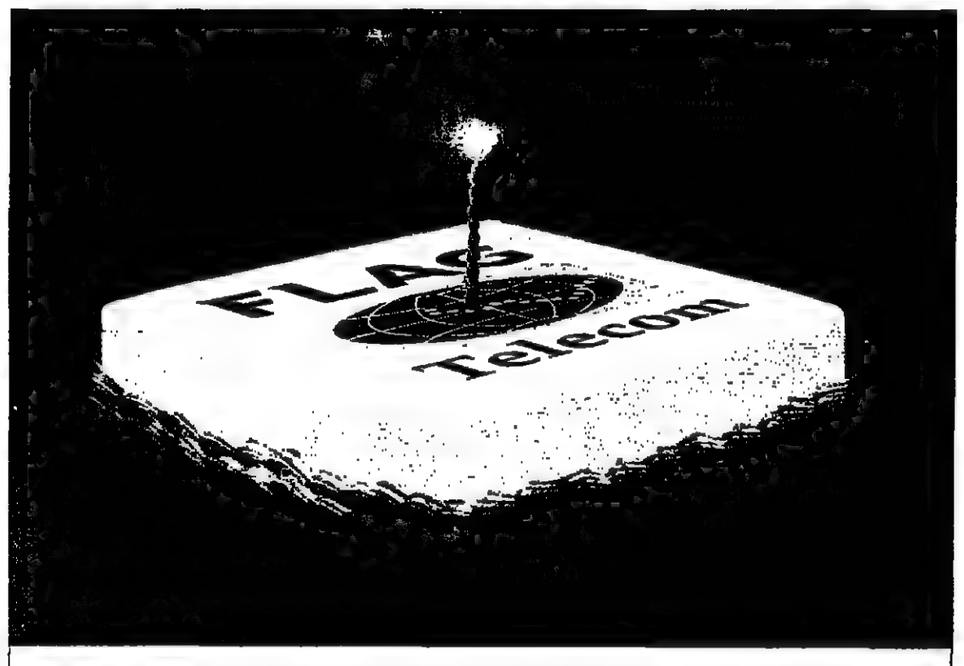
David Batts, chairman of the London Tourist Board, said London would be "the most exciting city destination in the world" for the millennium. The LTB set out three years ago to provide 20,000 additional hotel beds by 2000. Yesterday it said 55 new hotels had already opened, providing more than 5,000 bedrooms. **Elizabeth Robinson, London**

### CHANNEL TUNNEL TRAINS

## Drivers call off planned strikes

Drivers of shuttle trains through the Channel tunnel between England and France yesterday called off four one-day strikes planned for the next five weeks.

Aslef, the drivers' trade union, which is not recognised by Eurotunnel, the train operator, said the company had improved its original pay offer because of the threat of industrial action. The company denied this.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**MANAGEMENT** MOTOR INDUSTRY PRODUCTIVITY

# The hard road to Bavaria from Birmingham

BMW is pressing Rover workers in the UK to adopt German working practices. **Graham Bowley** finds out what they are

In Birmingham, at the heart of British motor manufacturing, is a long way from Munich: about 30 per cent, according to Bernd Pischetsrieder, chairman of BMW, the German car group. He is talking about the "productivity gap" between BMW's factories in Bavaria, southern Germany, and those of Rover in England, its struggling UK subsidiary.

In the past few weeks Mr Pischetsrieder has made very clear that he wants his English workers to close this gap by improving productivity. He has warned that Rover will face swingeing job cuts unless its workers can emulate the revolution in working practices that during the past decade has transformed BMW's German shopfloors into some of the most productive in the world.

What exactly do these working practices add up to? One of the important changes has been the introduction of more flexible working times. BMW has dispensed with the standard eight-hour day, five-days-a-week shifts. Instead, BMW's employees work varied shift patterns that add up, on average, to four days a week, but each working day is nine hours and employees are regularly required to work on Saturdays for no extra pay.

The shift patterns can be complex: about 250 types of working-time model have been introduced. At one factory in rural Bavaria there is a model for a handful of workers who are also farmers and need to get home early to tend to their cows.

Such flexibility means that BMW's expensive plants are kept running longer and do not stand idle all weekend, cutting the capital cost per car by about one-quarter compared with traditional working patterns.

"These models give us very interesting new chances to be more flexible. We were a pioneer in this type of working at our Regensburg plant [near Munich] and it means that the utilisation time of capital is very high. When one machine costs as much as DM70m (£25m), it has to be used as much as possible," says Joachim Milberg, BMW's head of production.

On top of this variable shift system, the carmaker introduced a "time account" which freed it to react to sudden shifts in demand more easily. The account means the company can ask employees to work longer hours during periods when demand is strong and production has to be increased quickly. However, workers receive no extra overtime payments. Instead, they take time off later in the year. On the other hand, if demand slackens, BMW can cut working times without temporarily laying people off.

**'Our components divisions must have the same productivity as our suppliers'**

The system has proved useful when new car models are introduced and production must be increased quickly, or when old models are being phased out. Workers run up a credit or a debit of a maximum of 200 hours. At BMW's Dingolfing plant near Munich, this arrangement has provided a potential extra 25 working days each year at no extra cost to the company.

"Five years ago this type of working model would have been impossible in Germany. There would have been too much resistance to it," says the chief economist of another German car company.

These flexible working practices are now at the heart of negotiations between BMW and its Rover workforce. Rover has neither BMW's variable shift patterns nor the time account model. And – a crucial sticking point for the German parent – workers are paid bonuses if they work weekends.

But these are not the only important changes BMW has introduced to improve productivity. Another innovation has involved an overhaul of the company's organisational structure that has opened it up more fully to the rigours of market forces.

In 1994 the company was divided into distinct business divisions. Authority was devolved from the group's top management to individual units that were required to meet separate performance targets. The performance of BMW's internal components divisions, for example, is now measured on such standards as quality and delivery times, against rival suppliers that are outside the company.

"Our own components divisions must have at least the same productivity and competitive behaviour that our suppliers have," says Mr Milberg. "We have to bring decision-making down to the lowest level. The aim is to bring the market down to the people. People should know what their contribution is. They have autonomy to a certain extent."

Champion of flexibility: 'People should know what their contribution is,' says Milberg

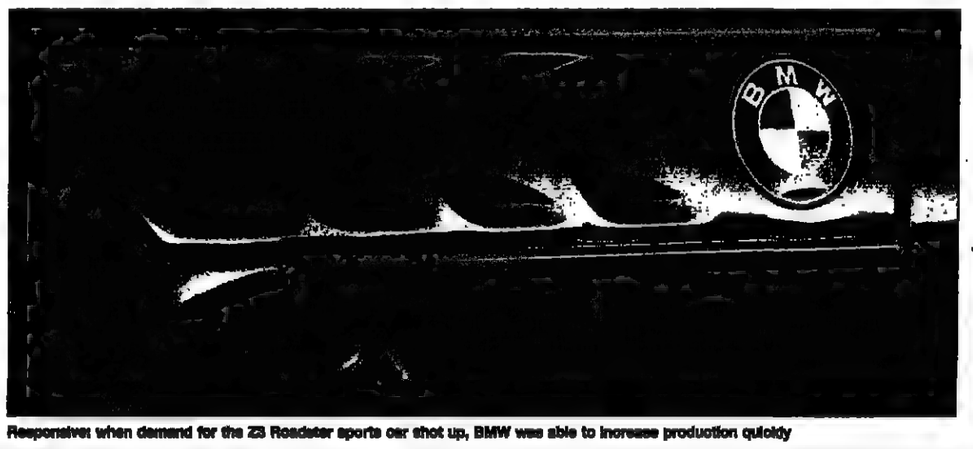
To improve motivation, BMW's workers are now rewarded for meeting their unit's targets: between 5 per cent and 10 per cent of wages of BMW employees are linked to whether or not targets are met. "This is really new for our workers," says Mr Milberg.

Another important change has been greater flexibility in production. BMW's factories have been constructed so that two different car models can be built in the same plant at the same time. This proved useful recently when demand for the popular BMW Z3 Roadster sports car grew so strongly that extra capacity was needed. BMW was able to switch production of other models from its US Spartanburg plant to factories in Germany within a few months so that the US plant could be devoted solely to the Roadster.

These changes are part of a wider resurgence in German industry in recent years. Other companies, most notably BMW's rivals in the car sector such as Volkswagen and Daimler-Benz, have launched similar revolutions in their own workplaces. These manufacturers have engineered big improvements in productivity, in spite of the fact that Germany has some of the highest labour costs and the shortest working hours in the world.

This transformation has not been easy. While they brought undoubted economic benefits, the innovations have been more painful in social terms. German unions resisted change, but several companies cut thousands of jobs and shifted swathes of production to cheaper locations abroad such as eastern Europe and the US.

Since then, unions have become more accommodating, and BMW, for example, now agrees many of the terms of its working time models with local labour representatives at each plant, bypassing the central unions. The lesson for Rover is that it may have no alternative but to follow the same path that BMW's workforce in Germany has already gone down.



Responsive: when demand for the Z3 Roadster sports car shot up, BMW was able to increase production quickly

LOUISE KEHOE
**IN SAN FRANCISCO**
**EAGLE EYE**

# Time to cut trade shows down to size

Big events such as Comdex have outgrown their usefulness as aids to the industry

Complaining about the rigours of attending Comdex is a Silicon Valley pastime at this time of year. The annual trade show in Las Vegas this week has become so huge that it overwhelms the city. Finding a cab, or even making a phone call is nearly impossible at the height of the event.

For years, people in the industry have sworn they would not go back. Finally, this year, some of the industry's biggest names are at least scaling back their participation. Some, such as Compaq, no longer exhibit on the show floor. Others are sharing booth space with partners. Dell, Intel, Compaq and International Business Machines have reduced their presence.

Does this signal the beginning of the end for big trade shows? I hope so. Smaller and more focused events are more useful for making contacts and learning about new technology and market directions. Moreover, just as the internet has changed radically the dissemination of high-technology news – with dozens of web sites dedicated to the industry – so computer trade shows will have to adapt.

This year, for example, the Comdex keynote addresses – speeches that typically reveal the direction of leading companies – have been webcast via the internet. Why stand in line on a Vegas sidewalk, only to be shuffled into an "overflow room", when you can watch from home or office?

If product booths and speeches are no longer the attraction, trade shows will have to go back to their roots and become events where people can actually do business, size up competitors and make deals with partners. If that is their purpose, smaller is better.

***

Sometimes the newest computer toys are not the best. Digital cameras seem to have fallen flat with consumers and handheld computers not living up to their promise. But a flat screen is on my wish list.

The latest liquid crystal displays are sharp and clear, and delightfully compact. A prediction: they will be the status symbol of 1999 among those who crave the latest and greatest technology, no matter the cost.

For those of us on a more modest budget, my latest toy is the CardScan from Corex Technologies (*www.corex.com*) – a nifty little scanner, about the size of a telephone answering machine. For anyone who collects dozens of business cards, the CardScan, which has been around for a few years, is a great time-saver. Pop in a card and it will process the image, entering name, address and other details into a Rolodex-style file. It is amazingly good at deciphering the varying typefaces and designs, and when it cannot read everything on a card – perhaps one out of 10 cards – it is easy to make corrections. Best of all, data collected by CardScan can be meshed with existing contact files, such as those included in Microsoft Outlook or other "personal information managers".

As one who has accumulated piles of cards – always intending to enter the data into my contact files, but seldom getting around to it, I am delighted with my newest toy. For the cynics among you, Corex did not ply me with press releases in hope of publicity. In fact, I have not even spoken to anyone at the company – as far as I can remember.

***

On a more serious note, much of the debate over freedom of speech on the internet has to date focused on the rights of individuals to publish material of dubious taste – pornography, racist texts and the like. To some, it may have seemed an empty cause. Now comes news from China that a young computer expert is to stand trial in Shanghai, facing charges of "inciting subversion of state power" because he allegedly gave thousands of Chinese e-mail addresses to "hostile foreign publications".

The "crime" involved supplying e-mail addresses to a Washington-based pro-democracy newsletter that is distributed to tens of thousands of internet users in China. That such a case would arise was entirely predictable. It has been an open secret in Silicon Valley for at least two years that the Chinese government has been spending heavily on "firewall" systems, typically used to protect computer systems from hackers. In China, the firewalls block internet users from accessing web sites that are deemed objectionable. They have become the tools of censorship.

**In China, the firewalls block internet users from accessing websites**

It is ironic that such sales apparently went unquestioned by US government agencies, which are so determined to control exports of other internet security products, such as encryption software, in the name of "national security". As is now evident, firewalls, as well as encryption, can be used for good or ill. By controlling sales of encryption, without placing limits on the sale of firewalls, the US may be playing into the hands of those who would censor the internet and monitor e-mail.

Since export controls on either type of product are ineffective, because the technology is widely available from numerous sources worldwide, the answer is not to expand US export controls, but rather to lift those that exist. For sure, encryption will be used for ill, but it may also be used to counter censorship and maintain free speech.

***

If Apple Computer's iMac has proved anything, it is that style matters in today's personal computer market. In terms of performance, the iMac is a plain vanilla machine, yet it has become a top seller because of its snazzy design and clever marketing. In comparison, standard PCs are dull. But not much longer if Intel has its way. The chipmaker is cajoling PC manufacturers into rethinking the shape of their products.

Intel has even built two prototype "concept PCs" to illustrate its point. The consumer version is a pyramid-shaped box, with the top cut off. About 8in square at the base, it takes up little space and has a friendly look. With burnt orange sides and silver slats on top, it calls out for decoration with facial features.

Then there is Intel's vision of the future for business PCs. A rectangular box, about 10in tall, with a twist. Intel calls it "the twister" – an unfortunate name, perhaps, for a machine that might be used to prepare invoices and store accounts. Yet it is an interesting attempt to jazz up the desktop PC visually. Intel may not give Apple the credit, but the chipmaker seems to have learned that the technology inside the box is only part of a PC's appeal.

*Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on lkehoe@ix.netcom.com*

JOHN W. HUNT
**ADVISES**

# Investigations taken to task

Professional associations frequently use taskforces to report on contentious issues, but guidelines must be followed if they are to be effective

*Dear Professor Hunt,*
*I manage a professional society of 28,000 members with an office staff of 62 people. Enormous amounts of time are given by members who sit on committees and taskforces created to report on specific issues. I recently checked how many taskforce recommendations had been implemented in recent years. The vast majority had not. If these resources had been used to market the interests of members, we would probably have got a far greater return for our time and money. Surely there is a more efficient way of working?*

Prof Hunt replies:
Ineffectiveness of the kind you describe is an almost inevitable byproduct of your type of organisation, given the natural tensions that are likely to exist.

In the early years of a professional association, costs are contained by a limited income, the limited number of part or full-time staff and the limited number of members who can afford the hours needed to establish the interest group.

As the association expands and members work to "professionalise" their skills and protect their niche in the marketplace, demands for office support grow.

But so highly do members rate the professionalisation of their activities that they are unwilling to delegate this process to administrative staff. Instead, professional associations combine their governance with members working alongside staff to ensure entry to the association is controlled and members' interests are protected.

However, as members' time is voluntary, the association comes to depend more and more on salaried staff to conduct an ever-expanding number of activities on behalf of its members – and this creeping administrative overlay does not come cheap.

The relationship between the activities of the staff and the objectives of the association become progressively blurred. Fewer staff appear to be working on tasks directly related to protecting the profession's market niche, while more and more time is spent servicing an increasing number of committees of members anxious to reconcile the original objectives of the association with current activities. Whenever members fear that their interests and the interests of others – such as the staff – are divergent, a taskforce is created to investigate.

The challenge facing such growing associations is how to maintain the intimate relationships evident in the early days, yet at the same time benefit from the economies of scale of the larger association. And further, how to reconcile the interests of staff, who now have careers to consider, with the interests of members who are increasingly dispersed geographically and professionally.

The creation of lateral links such as committees is one way to reconcile competing interests, but there are instances when important issues seem to have no obvious home in the current structure – hence the formation of taskforces.

The trouble is that members' ignorance or political reasons mean that in too many instances taskforces are asked to report on matters for which a taskforce is not an appropriate format. A far better tactic might be to ask a specialist. But to whom would a consultant or a specialist report? If he or she reported to a taskforce, the chances are the staff rather than members would manage the assignment.

**Reporting relationships are blurred and the final report is often abysmal**

If the members managed the consultant, it is likely costs would accelerate, for most members of professional associations will never have managed a consultant in this way.

The result is that either the staff members on the taskforce dominate and run the body, or the chair of the taskforce runs the show, leading the staff to feel aggrieved and undervalued. Staff members may not have sufficient depth of experience with the taskforce's objectives. Reporting relationships are blurred and the quality of the final report is often abysmal. Finally, none of the taskforce's recommendations is adopted.

It is as well to remember that taskforces serve several purposes. They are one way to discuss and record the state of the art for which the association was created. They are a way to link members' interests with those of the association staff. And, while you suggest they are expensive, they are cheap compared with a consultant's report.

So what might you do to improve the effectiveness of your taskforces?

- Insist on asking whether the proposed objective is suitable for group assessment, or whether an expert would be more effective.
- If the objective warrants a range of views, is it divisible among taskforce members so that all can contribute?
- Keep the taskforce small – ideally, only five or six strong – but remember that several constituencies, including your staff, must be represented.
- Provide the sort of back-up support to minimise superficial debate.
- Accept that taskforces and committees are an important way for staff and members to learn about issues affecting the association's position in the market. Whether or not recommendations are introduced is sometimes less important than the collection of information on an issue that may become vital.

*John W. Hunt is Professor of Organisational Behaviour at London Business School and a consultant to private and public sector clients. This column appears fortnightly.*

هكذا من الأصل

Name these royals in 'Love Upon The Throne': from left, John Ramm and Patrick Barlow, who mount a daunting challenge in playing the British royal family

# Two-faced view of the royals

THEATRE

**ALASTAIR MACAULAY**

**Love Upon The Throne**
**Royal National Theatre of Great Britain, Comedy Theatre, London**

The comedy of the National Theatre of Brent, or, to employ its full recent title, the *Royal* National Theatre of Brent, is two-pronged. It is about pretention; and it is about incompetence. Both prongs – especially as now applied in *Love Upon The Throne* to the immortal tale of Charles and Diana – are bliss; are indeed what Britain may need today.

Desmond Olivier Dingle (Patrick Barlow) – who is simultaneously artistic director and chief executive of the theatre, but also one of its two actors – begins. He is author of *Love Upon The Throne*, and, as he explains: "The *Maison d'Etre* if you will of *the company's artistic policies.*" He proceeds to welcome us to the stage set, "based upon *an actual replica* of one of Her Majesty's many 'Drawing Rooms' that she has in Buckingham Palace . . . for whenever she wishes to do some drawing".

The two actors are called upon to impersonate Charles, Diana, the Queen, William, Harry, Camilla, James Hewitt, Fergie, a royal chambermaid, "the prime minister of Austria and New Zealand", and several BBC presenters. The strain takes its toll, even early on.

Desmond, now playing Prince Charles, re-enters the room. "*Hello Your Majesty* my Queen, the mother." Raymond Box (John Ramm), playing the Queen, replies: "I shall come straight to the point. As you know I am Her Royal Highness Queen Elizabeth II, the Majesty of the *Queen of England* . . . Anyway, Your Father the Duke of Philips and myself your mother and the Queen Mother my mother, the mother of the Queen mother, has been talking with the Parliament that it has recently come to our notice that you are rapidly approachin' middle age and are still not wed."

**The two actors are called upon to impersonate Charles, Diana, the Queen, William, Harry, Camilla, James Hewitt, Fergie, a royal chambermaid and BBC presenters**

In the next scene, however, Charles, riding around Hyde Park Corner on his horse Red Rum, meets for the first time Camilla Parker Knoll, who is riding Black Beauty. *Charles*: "I cannot bear to think of you in another man's Weddin' Dress." *Camilla (played by Raymond)*: "Neither can I!" *Charles*: "Because I now know that I love you!" *Camilla*: "Yes! I love you too!" *Charles (suddenly awkward)*: "Thank *you.*" *Camilla (suddenly awkward)*: "Thank *you.*" *Charles*: "Goodbye." *Camilla*: "Goodbye."

Desmond and Raymond are utterly earnest actors. And – despite Raymond's muddles over lines and the increasing problems they both have with different versions of the text practised during the rehearsals (held earlier in the day) – it is their commitment that makes them touching.

Just before this exchange, Charles' and Camilla's horses get skittish under them and carry them to opposite sides of the stage; you have to see this to appreciate the superb horsemanship executed by Desmond and Raymond in bringing their noble steeds back under control.

*Love Upon The Throne* – now in two acts, arriving in the West End after a national tour – has become fuller and funnier and yet more cherishable. During the entire show, Raymond's facial expression scarcely changes: with him, his usual frown-and-stare look of determined panic is only a flicker from his other look, of frustrated eagerness. All the roles he plays have precisely the same voice and accent.

Desmond's persona is rather more complex, exuding a fabulous stuffiness carefully honed in Dollis Hill; *one feels for him when*, under the pressure of performance, his vowels and grammar slide down the English class system.

Yet the Brent theatre goes further. Pretentious and disastrous as they are, they light with poignant delicacy on certain of the serious human emotions at stake. Charles, in emotional turmoil, rings his father on the palace telephone: "Hello is that the Duke of Edinburgh? Oh hello. This is your son here. Charles. Yes. Um. Look, I know we've never spoken before but I was wondering if I could possibly ask you for some . . . advice on a personal . . . Absolutely. I'm sorry. My fault. Goodbye."

# Welcome to the In crowd

THEATRE

**BRENDAN LEMON**

**I'm Still Here . . . Damn It!**
**Sandra Bernhard**
**Booth Theatre, New York**

While New York critics and audiences are lapping up the protean performer Martin Short in a revival of the 1962 musical *Little Me* at the Roundabout, another dexterous comic talent has just opened across the avenue at the Booth: Sandra Bernhard. In *I'm Still Here . . . Damn It!*, a one-woman show of her own devising, Bernhard takes the kind of high-gloss glamour that is at the heart of *Little Me* and gives it a thoroughly postmodern shine.

Bernhard's show is part stand-up comedy routine, part rock concert and part literary recital. At its heart is an acid attack on contemporary fabulousness that is informed by first-hand experience. It has been this comedienne's mixed blessing to have hung out with every celebrity who has recently graced a tabloid, and she zings poisonous barbs at an indiscreet selection of them. The targets are almost appallingly topical.

When she is not centre stage tattling on former friends, Bernhard struts about the set. With her androgynous gait, sinewy figure swathed in a diaphanous sheath, and lips as gigantic as Mick Jagger's, she patrols the playing area with the unabashed ambition of a rock star.

In the show's weakest bits, she even sings a few pop standards – Aerosmith's "Dream On", Jim Weatherly's "Midnight Train to Georgia". Her musical interludes, which include original material, do help break up what would otherwise be a storyless stand-up comedy act, but they have none of the sting of the rest of the evening.

Despite its occasional lapses, *I'm Still Here* does have expert pacing, as well as expert production values. That it belongs on Broadway rather than some uncomfortable fringe theatre has to do not only with its slick staging, but with Bernhard's development as an artist.

In her previous solo outings, there was always an annoying narcissistic quality to her material, an assumption that no one in the audience could ever be as hip as she was. True, she had already become a genuine satirist then, if by satire we use Swift's formulation: a mirror in which one sees everyone but oneself. But Bernhard now acknowledges her own reflection in the glass of folly, a recognition which has made her more of a lampoonist.

The people Bernhard skewers may be taken largely from Hollywood and the music scene, but fashion also supplies its share of victims. Her parody song "On the Runway", which concerns what she sees as the fashion world's insincere response to last year's murder of Gianni Versace, tweaks the Diana-fixation of the entire process of public grieving. And her deflation of the supermodel Linda Evangelista is equally discomfort-inducing, containing a quip that is as funny as anything in the show.

That remark, however, loses its bite when repeated. Bernhard's comedy relies not on the memorable one-liner but on wicked timing and acerbic tone. If her trendy topics seem too obvious on paper – Madonna's turn towards spirituality, *Courtney Love's desire to be* both a high-fashion totem and a grungy rock icon – they do not come off that way in the theatre.

Bernhard may be the Empress of In-ness, but at the Booth even the most outmoded of us is admitted to her court.

She's still here, and how!: Sandra Bernhard in New York Joan Marcus

CONCERT WOZZECK/ROYAL FESTIVAL HALL

# Choose your German aid and enjoy

The latest opera-in-concert in London was Alban Berg's *Wozzeck*, conducted by Christoph von Dohnányi with the Philharmonia and a superb international cast in the Royal Festival Hall. Those who bought expensive programme-books got the German libretto to follow, and along with it a "singing" translation, which matched *the singers'* notes perfectly, but sometimes at the price of the lines Büchner actually wrote and Berg set.

Others just watched the surtitles, which echoed the sense of the original words *and* their music more faithfully. You pay your money, you take your choice . . .

This *Wozzeck* was continuously gripping, and Dohnányi chose wisely to play its three concise acts without an interval. No *Wozzeck* performance with the orchestra in an opera-pit can really make all Berg's delicate, finicky chamber-orchestral passages tell, and on video the voices are always favoured at the cost of the musical fabric. "Mere" concert-performances have surprising advantages, and Dohnányi capitalised upon them.

One heard more detail than ever before, and with that came a new realisation of the extent to which the whole score is motivically and theatrically bound up: not just some striking motifs plus sensational sound-effects for the wrenching story, but a seamless symphonic discourse in which the most *outré* passages, and the tiniest solo excursions, always cohered musically with the rest, to great cumulative rewards.

The Philharmonia players met Dohnányi's (and Berg's) stringent demands beautifully. Dohnányi had everything so much under control, indeed, as to render it slightly tame. The "onstage" band in the inn-scenes had a nice edge of hysteria, but elsewhere we could have done with the sharper Expressionist stabs that Berg surely intended: swooping, swooning dynamics, hints of bitter "Romantic" parody. *Wozzeck* is not a hermetically self-contained score; it looks back in passionate anger, and remembers the past – *and* the present – all too well.

Franz Hawlata presented the wretched soldier Wozzeck as a docile ox, too poleaxed by his situation to give any warning sign of his explosion to come. Accordingly, it was the more appalling when it came; meanwhile Hawlata sang – and spoke, and delivered his pitched *Sprechstimme* – sweetly and accurately.

Deborah Polaski sang his distressed common-law wife Marie with more nobility than was required. She was moving, but her respectable German didn't run to the tarty edge that a down-to-earth Marie should have.

The many other roles were vividly taken: Graham Clark's lustily mugging Captain above all, but also Peter Bronder's concerned Andres, Eric Halfvarson's blandly sinister Doctor, and the tiny role of the Idiot, in which Ian Bostridge was extravagantly cast (and exactly right). As Marie's doubtful friend Margret, *Nadja Michael made a tangy*, characterful impression beyond what that brief role usually gets.

The London Voices chorus, and in the final children's scene the London Oratory School Schola, earned their keep well. Quibbles aside, this was a stirring evening.

**David Murray**

# INTERNATIONAL Arts Guide

## ADELAIDE

**OPERA**
The Ring Cycle: by Wagner, staged by Pierre Strosser and conducted by Jeffrey Tate, this is the first production in Australia since 1913; from Nov 18 to Nov 24

## AMSTERDAM

**OPERA**
**Netherlands Opera, Het Muziektheater**
*Tel: 31-20-551 8911*
The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre, Thomas Randle and Willard White; Nov 18, 20, 23

## CHICAGO

**CONCERTS**
**Orchestra Hall**
*Tel: 1-312-294-3000*
*www.chicagosymphony.org*
Chicago Symphony Orchestra: conducted by Riccardo Chailly in works by Mahler and Mendelssohn. With mezzo-soprano Petra Lang and baritone Simon Keenlyside; Nov 19, 20, 21, 22

**OPERA**
**Lyric Opera of Chicago**
*Tel: 1-312-332 2244*
*www.lyricopera.org*
Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 21

## EDINBURGH

**OPERA**
**Edinburgh Festival Theatre**
*Tel: 44-131-529 6000*
● Scottish Opera: Tristan und Isolde, by Wagner, in a production by Yannis Kokkos, directed here by Peter Watson and conducted by Richard Armstrong. Cast includes Jeffrey Lawton and Eva-Maria Bundschuh; Nov 21
● Scottish Opera: The Magic Flute, by Mozart, in a production by Martin Duncan, conducted by Richard Farnes; Nov 18, 20

## HELSINKI

**DANCE**
**Finnish National Ballet**
*Tel: 358-9-403 021*
Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B ivars. Conducted by David Garforth; Nov 19, 20

## HUDDERSFIELD

**CONCERTS**
**Huddersfield Contemporary Music Festival**
*Tel: 44-1484-430 528*
● BBC Scottish Symphony Orchestra: conducted by Tan Dun in the UK premiere of his opera Marco Polo. Concert performance, with the Chorus of the Royal Scottish Academy of Music and Drama; Town Hall; Nov 22
● London Sinfonietta: conducted by Elgar Howarth in works by Simon Holt, Luis de Pablo and Elliott Carter. With piano soloist Rolf Hind and clarinet soloist Michael Collins; St Paul's Hall; Nov 20
● Nash Ensemble: conducted by Martyn Brabbins in works by Turnage, Simon Holt and John Casken. With mezzo soprano Jean Rigby and oboe soloist Gareth Hulse; St Paul's Hall; Nov 21
● Nuove Sincronie: UK debut of the Milan-based ensemble, conducted by Renato Rivolta in the UK premieres of three works by Luis de Pablo; St Paul's Hall; Nov 22
● University of Huddersfield Symphony Orchestra: and Symphonic Wind Orchestra conducted by Barrie Webb and Phillip McCann in works by Tüür, Torke, Cutler and Meij. With saxophone soloist James Fieldhouse; St Paul's Hall; Nov 18

**OPERA**
**Huddersfield Contemporary Music Festival**
*Tel: 44-1484-430 528*
Opera North: The Nightingale's to Blame. World premiere of a new opera by Simon Holt, based on a play by Lorca, translated by David Johnston. The conductor is Nicholas Kok and the staging is by Martin Duncan; Lawrence Batley Theatre; Nov 19, 21, 22

## LONDON

**EXHIBITION**
**Royal Academy of Arts**
*Tel: 44-171-300 8000*
The Au Bak Ling Collection: 100 Masterpieces of Imperial Chinese Ceramics, 12th to 18th Centuries. Includes works from the Song, Yuan, Ming and Qing dynasties, which together provide a remarkable overview of the finest Chinese porcelains ever made; to Dec 20

**OPERA**
**English National Opera, London Coliseum**
*Tel: 44-171-632 8300*
Boris Godunov: by Mussorgsky. Conducted by Paul Daniel (Noel Davies from Dec 2) in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. John Tomlinson (Gidon Saks from Dec 2) sings the title role; Nov 18, 20

## MANCHESTER

**CONCERTS**
**Bridgewater Hall**
*Tel: 44-161-907 9000*
● BBC Philharmonic: conducted by Vassily Sinaisky in an all-Russian programme including works by Shostakovich and Rachmaninov. With violinist Dmitri Sitkovetsky; Nov 21
● Vienna Boys Choir: 500th anniversary concert, featuring works by Mozart, Schubert, Mendelssohn and Brahms; Nov 20

## MARTIGNY

**EXHIBITION**
**Fondation Pierre Gianadda**
*www.gianadda.ch/index.html*
Paul Gauguin retrospective: organised to mark the gallery's 20th anniversary. Includes more than 100 works, loaned by public and private collections from around the world; to Nov 22

## MUNICH

**CONCERTS**
**Philharmonie Gasteig**
*Tel: 49-89-5481 8181*
Munich Philharmonic Orchestra: conducted by Zubin Mehta in works by Liszt, Besthoven and Berlioz. With piano soloist Radu Lupu; Nov 21, 23

**OPERA**
**Bayerische Staatsoper**
*Tel: 49-89-2185 1920*
*www.staatstheater.bayern.de*
Der Freischütz: by Weber. Conducted by Zubin Mehta in a new production by Thomas Langhoff, with designs by Jürgen Rose. Cast includes Petra-Maria Schnitzer and Peter Seiffert; Nov 19

## NEW YORK

**CONCERTS**
**Avery Fisher Hall, Lincoln Center**
*Tel: 1-212-875 5030*
*www.lincolncenter.org*
● New York Philharmonic: conducted by Christian Thielemann in R. Strauss's Alpine Symphony; Nov 18
● New York Philharmonic: conducted by Christian Thielemann in works by W. Schuman and R. Strauss. With cello soloist Carter Bray; Nov 19, 20, 21

**OPERA**
**Metropolitan Opera, Lincoln Center**
*Tel: 1-212-362 6000*
*www.metopera.org*
● La Bohème: by Puccini. With Marco Armiliato conducting and a cast which includes Hei-Kyung Hong, Gwynne Geyer and Frank Lopardo; Nov 19, 21
● Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. The current cast is headed by Felicity Lott, Cecilia Bartoli and Bryn Terfel, and the conductor is James Levine; Nov 18, 21
● Tosca: by Puccini. Nello Santi conducts and the cast includes Maria Guleghina and Richard Leech; Nov 20

## PARIS

**OPERA**
**Opéra National de Paris, Opéra Bastille**
*Tel: 33-1-4473 1300*
*www.opera-de-paris.fr*
The Merry Widow: by Franz Lehár. Conducted by Armin Jordan and with a cast including Frederica von Stade and Hakan Hagegard; Nov 21, 23

## SAN FRANCISCO

**CONCERTS**
**Davies Symphony Hall**
*Tel: 1-415-864 6000*
San Francisco Symphony Orchestra: conducted by Herbert Blomstedt in works by Britten, Beethoven and Hindemith; Nov 18, 19, 20, 21

**OPERA**
**San Francisco Opera**
*Tel: 1-415-864 3330*
Norma: by Bellini. Conducted by Patrick Summers in a staging by Andrew Sinclair; Nov 18, 21

## TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**

● **CNN International**
Monday to Friday, GMT:
**06.30:** *Moneyline with Lou Dobbs*
**13.30:** *Business Asia*
**19.30:** *World Business Today*
**22.00:** *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

MARTIN WOLF

# Complacency trap

Even if policymakers have saved the world economy for the moment, they must guard against a crisis of over-confidence

With the Dow Jones Industrial Average back around 9,000, nobody can gainsay the success of Alan Greenspan's Federal Reserve. He can do more than walk on water. With a few words and three small cuts in US interest rates, he smoothes the troubled waves.

By Monday, the S&P composite index had regained 80 per cent of its post-July decline, to stand a mere 4 per cent below its peak. The price-earnings ratio on the S&P, at just under 29, is only fractionally below its all-time high. The big jump in spreads between riskier and safer bonds has also shrunk, if by far less: the spread between C-rated corporate bonds and treasuries is still around 12 percentage points, against 8 percentage points before Russia's mid-August default.

It is little wonder then that the Organisation for Economic Co-operation and Development offers a guardedly optimistic analysis in its latest forecasts.* It notes, in particular, that the policy actions recently taken should prevent further damage.

These actions included:

- The easing of monetary policy, with cuts in US short rates, a three quarters of a percentage point reduction in UK rates and convergence within the euro-zone on the German level of 3.3 per cent.
- An enormous Y60,000bn ($496bn) programme, equivalent to 12 per cent of gross domestic product, to recapitalise Japan's banks, to which can be added yet another fiscal stimulus package, this time worth Y24,000bn.
- The lifeline of $41bn provided to Brazil, $37bn of which is to be available in the first year.
- The late-October communiqué from the Group of Seven leading industrial countries, with its ideas for reform of the international financial system.

Not only financial markets have taken heart. So has the OECD. Its central forecast for 1999 is world growth at 2.1 per cent, followed by a recovery to 2.9 per cent in 2000. This includes 1998 growth of only 0.2 per cent in Japan, but 1.5 per cent in the US and 2.2 per cent in the European Union (giving 1.7 per cent in the OECD region as a whole). Economic growth outside the OECD was 5 per cent in 1997; it is expected to fall to 1.7 per cent this year, before recovering, modestly, to 2.5 per cent in 1999 and 3.8 per cent in 2000.

The 1999 forecasts inevitably contain significant downward revisions from those of last March: by 1.1 percentage point for Japan and 0.6 percentage point for the US and EU. Behind the revisions lie Japan's deepening recession, lower oil and commodity prices, the redirection of financial flows from riskier borrowers and declines in confidence. The US and EU economies have been directly harmed by downward pressure on the profitability of manufacturers, increased market perceptions of risk and the trade adjustment.

The US current account deficit is forecast to rise to 3.1 per cent of gross domestic product next year, up from 1.9 per cent in 1997. But the OECD forecasts virtually no change in the external surplus of the EU, expected to be 1.3 per cent of GDP in 1999 and 2000. This contrast will surely prove a potent source of conflict.

Leave aside, for the moment, the "millennium" bug, that timely chiliastic prophecy. Four other dangers now menace the OECD's central forecast:

First, emerging markets could perform still worse than is now expected. The Brazil package announced last Friday could readily fail: all such attempts to hold exchange rate pegs are a gamble. The Chinese slowdown could become severe, generating pressure for devaluation, while the debt-burdened Asian crisis countries could experience another year of decline. If so, some governments may replace orthodoxy with exchange controls, involuntary writedowns of foreign debt, or both, sending another shock through credit markets.

Second, the Japanese economy could continue its downward slide. Loans to Asian emerging markets amounted to 133 per cent of the (exaggerated) capital of Japanese banks in 1997, while exports to Asia were 4.5 per cent of GDP. The banking recapitalisation could also fail, either because banks do not take the money or because they then lend less, as Paul Krugman of the Massachusetts Institute of Technology has argued (FT, October 27). The succession of fiscal packages could also fail to restore buoyancy to demand, while the yen appreciation is bound to harm exports.

Third, equity markets could go into reverse, particularly if the Federal Reserve again became worried about inflation or, more plausibly, investors began (at last) to re-adjust their expectations of future earnings growth. With US household savings negative, stock market weakness could lead to a turnaround in consumption. Instead of rising faster than disposable incomes, it would then grow more slowly. Lower stock market prices could also affect US corporate investment.

Fourth, credit could continue to be severely rationed to riskier borrowers. Risk spreads are still large. Furthermore, there is some evidence of tightening credit standards among banks, at least in the US. It is often forgotten that European banks are also highly exposed to emerging markets, with total loans outstanding equal to 91 per cent of their aggregate capital in 1997.

If these risks were all to come together, there would be further declines in oil and commodity prices. There would also, quite possibly, be a decline in the dollar and the yen against the euro, as the Federal Reserve loosened and the Japanese were driven to wholesale monetisation.

What would be the outcome? The OECD suggests that US growth next year could be minus 0.4 per cent with unchanged real interest rates. Japan's economy would shrink by more than 2 per cent for the second year in succession. As for the EU, its economy would expand by less than 1 per cent.

In all, the downside the forecasters see is stagnation in the OECD next year and sluggish recovery thereafter. This looks just about right: the US and EU are poised between stagnation and modest growth, while Japan is balanced between stagnation and continued decline.

The more buoyant outcome is what any sensible person must hope for. But it also creates a nagging worry. Suppose investors conclude that no conceivable turbulence can slow the US economic battleship. What then happens to market perceptions of risk?

Big financial crises come when investors have long seen only golden opportunities – the more prolonged that period, the more spectacular the crash. This is among the most significant lessons from Asia's woes.

This was a region of sustained high growth, sound fiscal and monetary policies and stable exchange rates. Investors largely forgot about risk. Was Tokyo's land worth more than the entire US? Quite right, concluded investors, in a fast-growing and land-short economy.

Thus western policymakers face two dangers: the more immediate is that they do not sustain confidence. The more distant is that they do. For what might then prevent the Dow from marching to 15,000? The Nikkei was, after all, once at 39,000.

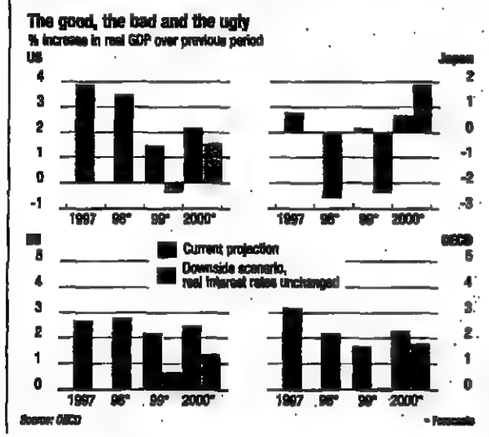
Capitalist economies balance between greed and fear. If Mr Greenspan removes fear, what is left to curb the greed? Let him succeed – but not too well.

*http://www.oecd.org

Martin.Wolf@FT.com

**The good, the bad and the ugly**

% increase in real GDP over previous period




Source: OECD * Forecasts

## LETTERS TO THE EDITOR

### Justice would be seen to be done under a WTO chief from the south

*From Mr Pradeep S. Mehta.*

Sir, It is time that a person from the south succeeds Renato Ruggiero, the director-general of the World Trade Organisation, who will soon be completing his term. The WTO is a multilateral institution with every member having one vote, whether it has 0.01 per cent share of the world trade or 11 per cent share. Its dispute settlement system has increased its credibility hugely. Yet the developing world has not really felt good about the WTO, for their market share of world trade has not increased substantially, or as expected.

While market access is itself a problem for them, given the poor supply-side scenario, non-tariff barriers are increasingly appearing on the horizon. Evidence of this continues to occupy the centre stage of the world trading system, with obvious implications for developing countries.

On the other hand, the south is feeling more and more insecure about the current state of the world trading system for two main reasons: the economic crises in some parts of the world, and the strident posturing by the two large traders, the US and the European Union, against each other.

As the FT has pointed out this does not augur well for the world trading system.

While the EU is pushing for a comprehensive new trade round, many in the south are interested in seeing that the existing agreements, such as the one on textiles, are implemented honestly. The in-built agenda, for example on agriculture, will also be a hotly debated one since it will challenge the trade-distorting and environmentally-unfriendly subsidies in Europe and the US.

Public memory is often short, but readers may remember that the Uruguay Round nearly flopped due to the sharp differences over the accord on agriculture.

Under such a situation, and to restore confidence of the poor countries in the WTO, it would be better if the next chief of the WTO is chosen from the developing world. This is not to say that a person from the developed world will not be sensitive, or that a person from a poor country will be more sensitive. The point is that justice needs to be not only done but it should appear to have been done.

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**secretary-general,**
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**India**

### Some method in the madness of German competition regulations

*From Alexander Graf zu Eulenburg.*

Sir, Graham Bowley correctly describes some seemingly absurd situations which can be caused by the competition laws in Germany (November 14 "German laws keep shopping low-key"). I would, however, like to stress the important benefits of these legal regulations for the consumer. German parliaments have decided not to abolish the competition laws in order to achieve a high degree of market transparency. For the consumers, market transparency means that they are able to easily compare the prices of similar or identical products from different suppliers.

The German law thatmakes excessive price cuts or free gifts verboten achieves just this as the money paid for a particular product is always identical to its nominal price. In the UK, however, supermarket offers such as "buy two, get third half price", the dividend card schemes introduced by many shops or BT's complicated price structure ("friends & family", "country calling plan" etc) are just three typical examples of diffuse pricing strategies that would be forbidden in Germany. Consequently, market transparency in the UK is significantly reduced as many consumers no longer understand how much they have paid for a purchased product. The frequently discussed excessive price level of UK supermarkets may, for instance, be related to the issue of weak market transparency.

It is therefore wrong to consider the German competition laws unnecessary or even ridiculous – a view often expressed by foreign observers.

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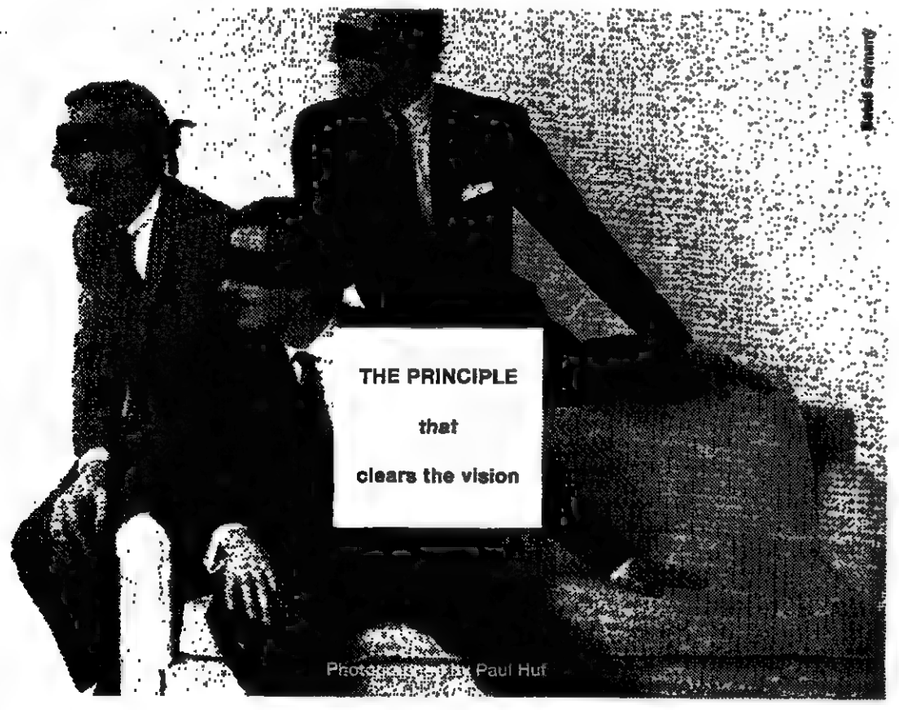


Photographer: Paul Huf

■ The euro is on its way. Now that the member states of the European Monetary Union (EMU) have been determined and the European Central Bank is established in Frankfurt, Germany's prominence as a global financial center is destined to further increase.

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DG BANK

# Home truths for Japan

Moody's unwelcome downgrading of Japan's debt may prod the government into finding a lasting solution to its economic woes, say **Paul Abrahams** and **Gillian Tett**

"An insult to my country." That was what one Japanese trader called yesterday's downgrading of Japan's debt by Moody's, the US ratings agency. An insult perhaps, but a necessary one.

Moody's downgrade was a warning to the government that its attempt to spend its way out of recession might fail, but worse, that it could damage both the Japanese economy and global markets.

The danger is that the huge volume of additional net Japanese government bond issues – by one estimate Y52,000bn ($436bn) will be issued this year and next – could prick the bubble in bond prices that has appeared to defy economic logic this year. Such a correction would have calamitous consequences for Japan's already troubled banks, which are big holders of bonds, and could send shock waves through the world's financial markets.

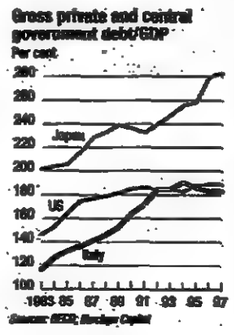
The possibility of a crash in Japanese bonds may appear perverse, given that they seem so strong that the government can sell them cheaply. Last night, despite Moody's warning, the yield on the 303rd 10-year benchmark bond closed at 0.86 per cent, almost unchanged. That is not far from its world record low that was reached earlier this year despite the deterioration in government finances. By traditional measures, that would indicate the market believes the Japanese government is not only the most creditworthy in the world, but the most creditworthy in the history of the world.

But this yield is deceptive because the Japanese government bond market is distorted by official intervention. Last year, government institutions such as the Trust Fund Bureau and the Bank of Japan bought 78 per cent of net supply, leaving only 22 per cent to private investors. Tim Bond, director of interest rate strategy at Barclays Capital, argues that this is essentially a conjuring trick that allowed almost all of last year's increase in government debt to be financed by the government itself.

Until now Japanese policymakers have tackled their economic crisis by throwing money at the problem. Nomura Securities estimates that since 1992 the government has announced packages worth an amazing Y85,000bn ($714bn), even before the latest Y24,000bn offering. Not only is the government injecting huge sums into infrastructure projects and the banking system, but most recently it has indicated it wants to start providing support to troubled industrial groups such as Nissan, the automotive company. The assumption has been that the government will continue implementing ever larger stimulus schemes until there is a recovery. That assumption may no longer be valid.

**Gross private and central government debt/GDP**

Per cent




Source: OECD; Barclays Capital

The problem is a growing imbalance in the supply and demand of government debt. The central government must finance its extra requirements largely by issuing bonds. This is partly because recession has badly dented tax revenues – in the six months to September they fell year-on-year by 11 per cent – and partly because it is unwilling to print money in huge quantities. That leaves the government with no alternative but to issue debt.

By any standards the prospective issuance figures look alarming. The government's initial budget plans for fiscal 1998, for example, envisaged Y64,000bn of total bond issuance, or net issuance of around Y22,000bn after redemptions. Kiichi Miyazawa, finance minister, hinted this week that an additional Y10,000bn to Y15,000bn of issues would be made this year.

For 1998, the total amount appears manageable. But the government is also committed to making net issues of Y26,000bn next year. And if, as expected, it pushed some 1998 issues into 1999, then total bond issuance next year could rise to some 35 per of general account revenues, argues Nomura Research. This would be the highest figure on record – and push the budget deficit to the startling level of 10 per cent of gross domestic product. It is already higher than Italy and the US (see chart).

And this is happening just as investors' appetite for bonds may be waning. The same economic logic which led to the Moody's downgrade is also triggering an unusual rebellion in parts of the government itself. Most investors assume that the Ministry of Finance's Trust Fund Bureau can be bullied into buying any spare government bonds by using money from the state-owned postal savings system. Indeed, it has already absorbed some Y13,000bn of the issuance this year, while the Post Office itself has bought Y5,000bn.

But the bureau and the Post Office are now privately warning the government they it cannot be relied on to absorb the additional bonds. About 45 per cent of Post Office deposits are likely to be withdrawn in 2000 and 2001 because high-yielding 10-year accounts created around 1990 are due to mature.

Demand for Japanese government bonds from other investors, such as life insurance companies, is also likely to decline because they are becoming more sensitive to risk and return. "We can't ignore things like Moody's any more," confesses a portfolio manager at one of Japan's largest brokers. Nor can they ignore the difference in the yield on long-term Japanese bonds (0.8 per cent) and US treasuries (5.5 per cent). The danger is that Japanese investors, tempted by such returns, could take their money overseas on a huge scale, shrinking the domestic savings pool, threatening the country's foreign exchange reserves and putting upward pressure on domestic interest rates at a time of deep recession.

The implications are extremely serious. The debt ratings of some of Japan's strongest companies, such as Toyota and NTT, were automatically downgraded yesterday because companies cannot have a higher rating than their country's sovereign debt. Many of Japan's industrial companies are in no position to endure an increase in their cost of borrowing.

As for the financial system, a bond crash would be disastrous. Goldman Sachs estimates that the bond weighting in banks' portfolios rose to 26 per cent by 1994, the last year for which there are data. Analysts believe the proportion has increased since then. Even a small correction would hurt bank profits badly – and the banks are in dreadful shape as it is.

For the moment the risks of a bond market crash remain a medium-term threat, rather than an immediate one. As Standard & Poor's, another US rating agency, argues, Japan has massive foreign exchange reserves ($205bn) and is the world's largest creditor nation. It also points out that on a narrow definition of net debt, Japan, with 40 per cent of gross domestic product, is below the German level and comparable to the US and UK, which all have top-notch ratings (though a wider definition gives a much more alarming figure). Few analysts are predicting an imminent correction and massive capital flight.

All the same, the difference between Japan and rest of Asia during the region's economic crisis has been that Japan has had endless supplies of money. Moody's unwelcome announcement yesterday is one of the first signs that in fact funds may not be unlimited. If that forces the government to abandon its approach so far – largely that of muddling through with ever-larger fiscal promises – then Moody's "insult" would have done the country a service.

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FINANCIAL TIMES

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Wednesday November 18 1998

# Europe must merge with care

Europe's merger wave reflects three powerful forces. In the background is the remorseless trend of globalisation. Closer to home is the creation of an integrated European market. Most urgent is the pressure on prices caused by Asia's lurch from over-investment to recession.

Overall, Europe will benefit from this process. It will not do so, however, if governments misguidedly attempt to soften the pressures by permitting anti-competitive mergers or by protecting new "Euro-champions" with trade barriers and subsidies.

Globalisation, the first of the three forces at work, leads to the creation of a handful of world-class competitors in each industry. These businesses operate and finance themselves around the world, with manufacturing sites, customers and shareholders everywhere. This means they must increasingly conform to the highest prevailing norms – of management and productivity, of course, as well as corporate governance and shareholder value.

Though the total number of companies in each industry shrinks, the effects on competition may well be positive. When regional quasi-monopolies are replaced with true competition everywhere, customers benefit. And US and EU antitrust authorities are now capable of co-operating effectively to prevent this consolidation going too far.

Trickier issues are raised by the second factor, the creation of an integrated European market, symbolised by the introduction of the euro in six weeks' time. As companies turn themselves from national entities into European ones, the temptation is for weak competitors to band together. This could prove dangerous, since too often the hidden motive is anti-competitive. The European Commission will need to be on the watch.

But it is the third factor – the squeeze on prices caused by monetary stability and the Asian currency collapse – that is the most worrying. The concerns arise in part because of the severity of the squeeze, with prices falling by 20-30 per cent in many basic industrial ingredients. Hasty mergers, conceived as a way of escaping these pressures, will merely accentuate them. More significant, though, is the way governments are starting to react: by considering ad-hoc trade barriers or other forms of industrial favouritism. The chorus of steel industry complaints is merely one example.

Together, these three forces are irresistible. If European companies react sensibly – by achieving international norms in every area from management to shop-floor costs – everyone will benefit. But if companies and governments rush for shelter from these market pressures, as too often in the past, there is a grave risk of damage not just to the region's competitiveness but also to world trade.

# Kurdish dilemma

The Italian government faces a terrible dilemma over the arrest of Abdullah Ocalan, leader of Turkey's outlawed Kurdistan Workers' Party. Ankara's request for his extradition, and his counter-plea for political asylum, leaves Rome with two thoroughly uncomfortable options.

Mr Ocalan is the leader of an armed guerrilla movement fighting for Kurdish autonomy, wanted on charges of terrorism not only in Turkey but also in Germany. He is the most wanted man in Turkey. If he were extradited, his chances of getting a fair trial would inevitably be slim. If he is not extradited, Italy will face the fury of a major trading partner and Nato ally, and further alienate one of the European Union's most important neighbours.

In the present climate, extradition looks highly unlikely. The Turkish government failed yesterday to agree on a draft law to abolish capital punishment, and Italy has never in recent years extradited an offender facing the death penalty. Doubts about his chances of a fair trial in a court without a jury will only reinforce that hesitation. But the extradition request must be judged by a Rome appeal court, and it is essential, as in the case of Augusto Pinochet, the former Chilean dictator now in Britain, that the law takes its course.

In the end, however, the asylum request will be a political decision taken by the Italian interior ministry. It will be seen that way both by the Turkish government, and by popular opinion in that country. But Turkey is scarcely in a position to lecture any other country on human rights, as the European parliament has repeatedly pointed out in relation both to its prosecution of the war against the PKK and its suppression of wider political dissent.

On the other hand, Ankara must be feeling increasingly isolated in its struggle, not only because of European criticism but also because the US has been seeking to unite Kurdish factions in their struggle against Saddam Hussein in neighbouring Iraq. That amounts to recognition of an autonomous Kurdish entity.

Mr Ocalan proposed negotiations and a ceasefire some months ago. He has supposedly renounced violence. That may be a cynical move, but it is a step in the right direction. He is an autocratic leader of his party, but his removal might make it more, not less, radical. Joschka Fischer, Germany's new foreign minister, suggested in Rome yesterday that Mr Ocalan's presence there might be used as a first step towards a negotiated solution to the Kurdish problem. Though Ankara is unlikely to heed that advice, it would do well to think twice before rejecting it out of hand.

# Hedge control

The best correctives for imprudent financial behaviour are the disciplines of loss and bankruptcy. Yet one consequence of the US Federal Reserve's loosening of monetary policy and its helping hand in the rescue of John Meriwether's Long-Term Capital Management has been to deny discipline its natural role.

The time for "repricing the errors, delusions and miscalculations of the upside", as James Grant of Grant's Interest Rate Observer puts it, has simply been too short. The sudden change in market sentiment from fear back to greed means that hedge fund managers like Mr Meriwether live to fight another day. It follows that the role of the regulators in addressing systemic risk is heightened. Are they ready and able to do the job?

An editorial in the Bank of England's latest Financial Stability Review raises questions on this score. It argues that there is no reason to single out hedge funds for particular attention. Given that a single hedge fund, LTCM, was deemed by the Fed to pose a threat to the banking system of the world's largest economy, this delicacy looks little short of perverse. All the more so, given that the US Securities and Exchange Commission is now turning its attention to precisely this area.

Yet the authors do have a point, in that commercial and investment banks act increasingly like hedge funds themselves. They use a slender capital base to support proprietary trading which is often highly speculative – witness recent provisions against Russian bond losses.

The hedge funds are not alone in inflicting huge swings in capital flows on emerging market economies. Other institutions, such as mutual funds, also play a part. And the Bank report's authors are right, too, in arguing that direct regulation of the hedge funds would drive them to tame offshore jurisdictions.

Apart from rearranging the institutional architecture of international finance, the most effective way to dampen financial contagion will be to control banks' lending to hedge funds, and the banks' proprietary trading, by tightening the Basle capital adequacy regime. LTCM revealed a need for a more rigorous approach to the quantity and quality of collateral in lending to hedge funds; also for a less complacent approach to the selective and partial disclosure of clients' overall activities. Concentration of credit and market risk calls for more careful identification.

The Basle committee under William McDonough has rightly set itself a tight deadline to reform the regime. No one should be surprised if a further adverse change in market sentiment gives added impetus to its task.

# Last tango in Rio

**Stephen Fidler** asks whether the IMF has staked its entire credibility on a Brazilian bail-out that will not work

"There is one thing worse than failure," said one official of the Group of Seven industrialised economies last month, "and that's failure that takes a lot of your money and credibility with it."

The International Monetary Fund and governments led by the US announced last week that they would stake $41bn to stave off an economic crisis in Brazil. But more than just billions of dollars is riding on the outcome.

If the Brazil package were to fail, it would not be just another in a string of economic crises in countries with IMF programmes. Unlike in Asia, where the Fund stepped in after currencies collapsed, in Brazil the IMF is seeking to maintain economic stability and investor confidence before the event. If it fails (as it did in Russia), the very notion of defending exchange rates will be savaged – and so will the IMF's credibility. One more catastrophe and confidence in it would be shattered.

No one can claim the Brazil programme is a sure thing. Controversially, the private sector's involvement is modest. The currency is not to be devalued. The Brazilians might prove unable to fulfil their side of the bargain. And the international markets might remain closed to them.

It is possible that even $41bn will not be enough. Guillermo Calvo, an economics professor at the University of Maryland, believes a credible figure would be nearer $200bn, given the volume of domestic debt that Brazil needs to refinance. And, if the money fails to generate confidence in the financial markets, he worries that the IMF would become wary of participating in future rescues. The IMF would roll up the safety net that has been underneath the wobbly global financial system.

Others are less concerned. Rudiger Dornbusch, professor of economics at the Massachusetts Institute of Technology, says the panic that gripped the world's financial markets after the Russian default has subsided. The world could now afford to let Brazil fail, without severe consequences for other economies. "When they call 1-800-BAILOUT, just let it ring. Say our operators are busy," he says.

But the IMF and US Treasury know they cannot afford to be so sanguine. They have been so concerned to stop the global financial crisis spreading to Brazil that they have, according to some analysts, made excessive concessions to the government. "They have been leaning over backwards to get Brazil to take the money," says Mr Dornbusch. "I think the Brazilians understood that the IMF and the US Treasury were desperate, and as a result they haven't put a lot on the table."

Indeed, much hinges on the details of the Brazil programme – and there is evidence to suggest that the Brazilian government has got its way in many important areas. Controversially, there has been no change in exchange rate policy and hopes that the private sector would contribute to the package have been abandoned.

There are advantages in this. They lie in what IMF officials call "ownership" of the programme by the government. This means it is a programme that, in most respects, has not been imposed from outside. In a country that remains politically sensitive to the idea that it is being dictated to by foreigners, this is potentially significant.

Though there are important questions about whether the government will execute it as it says and whether Brazil's Congress will vote the important changes on tax and reform of the public administration, this approach at least bases the plan in a realistic political framework. Paulo Leme at Goldman Sachs says that "having the programme tied to the political realities of Brazil" increases its credibility.

More evidence that the Brazilians have dominated the talks lies in the terms at which Brazil has been offered $14.5bn of bilateral financing from 20 governments, led by the US, which has offered $5bn of guarantees from its exchange stabilisation fund.

When crisis-torn Mexico borrowed money from the US in 1995, Mexican revenues from oil exports had to be directed through the Federal Reserve in New York to guarantee repayment. US officials were also camped out in the Mexican finance ministry and central bank to ensure compliance. This time, there appear to be no such requirements.

So the question remains whether the IMF has done the sensible thing in supporting Brazil's controversial exchange rate regime and its debatably overvalued currency. Under current circumstances, the Real slides gradually by about 7½ per cent a year against the dollar within a gradually widening band. However Brazil is in effect maintaining a pegged exchange rate of the sort that proved so hard to sustain, and ultimately so damaging, in Mexico, Asia and Russia.

One lesson from the spread of financial crisis in Asia is that the exchange rate regimes of even relatively small countries have consequences beyond their borders. These "externalities" mean that the Brazilian exchange rate regime, now implicitly supported by the IMF and industrialised countries, must be viewed in a broader context – including the impact that it has on its neighbours.

> 'The IMF and the US have been leaning over backwards to get Brazil to take the money'

Academics such as Jeffrey Sachs from Harvard have argued that IMF programmes that defend unrealistic exchange rates through fiscal and monetary austerity merely produce recession and prove ultimately unsustainable. Many observers see the IMF assumption that the Brazilian economy would shrink next year by just 1 per cent as too optimistic, meaning expectations about tax revenues and therefore the fiscal deficit are also optimistic.

The problem is that confidence in devaluation as an adjustment mechanism has been severely dented by recent experience, given that every time an emerging economy has devalued since Mexico in 1994 it has generated a collapse in confidence and a crisis. Brazil's experience of very high inflation over many years has also convinced its government that the benefits of a devaluation would be quickly wiped out by price and wage increases.

Mr Dornbusch argues that Brazil should have used this opportunity to move to a currency board – locking the Real to the dollar. But he accepts that Brazilians are culturally not ready to accept the consequences: ceding monetary policy to the Federal Reserve in the way Argentina did in 1991. Other economists, such as Mr Calvo, are concerned that the need to refinance large volumes of internal debt would in any case threaten the viability of a currency board.

So the IMF and the US are left with supporting a programme that nobody is very enthusiastic about. Moreover, they are also supporting something programme to which the private sector has contributed nothing. This runs counter to the demands for burden sharing between the private and public sector that emerged from G7 governments during last month's annual meetings of the IMF and World Bank in Washington.

Many officials in the G7 were concerned that IMF-led bailouts were merely pumping in public money to pay off private speculators, whose greed and panic were the fundamental cause of the crises. The solution, as they saw it, was to pull the private sector in – force it to take losses or put in more money during a bail-out.

In the Brazilian case however, this idea hit two obstacles. One was philosophical: Brazilian officials did not want foreign lenders to be forced into a 1980s-style debt restructuring because they insisted Brazil was not in crisis.

The other was practical: foreign lenders – anticipating they would be forced to take losses on their loans or to lend even more money – started pulling out in September, increasing the prospect of a financial crisis. Only when they were assured by Pedro Malan, the finance minister, that participation would be voluntary did this erosion of bank credit lines start to slow.

According to William Rhodes, vice-chairman of Citicorp, who hosted a lunch for Mr Malan and US financial institutions in New York on Monday, foreign lenders he has spoken to agreed to maintain trade and interbank lines to Brazil. As the programme took hold, investors would also increase their stake in the country, he said. "We shouldn't have a repeat of what happened in the early stages of some Asian programmes and in the Russian case, where the [IMF] money went in and the foreign financial institutions went out," he said yesterday.

Mr Rhodes reckons that one measure of the programme is how fast it reduces Brazilian interest rates from their current level of around 40 per cent. If this happens soon enough, this will soften the economic slowdown, and speed the adjustment of the budget deficit.

Mr Leme of Goldman Sachs has other concerns: he would like to have seen more aggressive action to reduce the stock of internal public debt, for example through further privatisations. Gross public debt, net of foreign assets, rises next year to 44 per cent of gross domestic product from 39½ per cent. But he also argues that one key to the success of the programme lies outside the control of the Brazilian government, in conditions in international financial markets. If Brazil is to be shut out of the markets for a prolonged period and cannot raise funds abroad, the programme will at best be severely tested and at worst fail as Russia's did.

IMF and US officials argue that the collapse of the IMF programme in Russia will not be replicated in Brazil. "I don't think there's any serious or significant comparability between this and the Russian situation," said Robert Rubin, the US Treasury secretary on Friday. At the IMF, Stanley Fischer, first deputy managing director, said that, unlike in Russia, "the Brazilian government has its fiscal system fundamentally under control".

All that is true, no doubt. But it also means a failure in Brazil would be far more damaging to the IMF than failure in Russia. The outlook is more hopeful for Brazil. But the deal puts great emphasis on the role of Brazilian politicians, relatively little on private-sector creditors. And if things do start to go wrong, there will be little the Fund can do to restore its credibility.

# OBSERVER

## Hoechst with his own petard

Jürgen Dormann was preaching the need for industrial restructuring in Germany long before Johnny-come-latelys Siemens and Viag jumped on the bandwagon.

Now he's come up with a move designed to show doubters that Herr Shareholder Value is back: the demerger of Hoechst's industrial chemicals side. No wonder the small man with big ideas, who has been looking careworn recently, had a spring in his step yesterday.

While Dormann, 58, builds his life-sciences empire, all those smelly industrial chemicals are being put into a new company, Celanese. That will be run by Brazilian Claudio Sonder, 56, a 32-year veteran of Hoechst who used to run the agrochemicals business.

But for all the radical talk, there was no mention yesterday of the question on everyone's mind – was this a precursor to an even bigger deal, the merger of Hoechst with France's Rhône Poulenc?

It's no secret that Dormann has been talking to Rhône Poulenc boss and one-time management consultant Jean-René Fourtou, a contender for the title of Monsieur Shareholder Value. But are they considering a fully-fledged merger, or simply tipping some of their drugs or agrochemicals into the same pot?

A merger would come at a tricky time. Hoechst is still struggling to stitch together the warring parts of Hoechst Marion Roussel, created a few years ago from the combination of its pharmaceuticals side with Roussel Uclaf of France and Marion Merrell Dow of the US.

Yet it would propel Hoechst up the life sciences league table and secure Dormann's reputation. The question is whether 60-year-old Fourtou – who comes from the old school of French management and is less of a cutter and thruster than Dormann – would be prepared to take the chairman's role, spending more time watching rugby and sipping the odd glass of Bordeaux.

After yesterday it's difficult to imagine Dormann taking a back seat.

## Moody musings

Japan's finance ministry has always taken the snooty line that it doesn't deign to comment on what those grubby little credit rating agencies say. So officials were in a pickle yesterday after Moody's downgraded the country's sovereign debt. Being humiliated is bad enough without being unable to hit back at your tormentor.

Bank of Japan governor Masaru Hayami – more forthright than most – ventured that the downgrade appeared to reflect debt levels pushed up by a series of stimulus packages.

After long bureaucratic discussions, finance minister Kiichi Miyazawa pointedly avoided specific comment, launching into a tirade about how Japanese government bonds were among the "most credible in the world".

But Eisuke Sakakibara, Japan's ever-chatty vice-minister of finance for international affairs, found the code of silence just too much. First he piously insisted that he was "not in a position to make an official comment on a private credit rating" – and promptly let slip the "M" word.

"Moody's may lose credibility in the markets with such a decision," he growled, quickly adding that this view – rather a popular one within the ministry – was strictly personal.

## High flier

Hungary's centre-right government swept to power last May promising an end to cronyism and a new era of selection by merit. Since then state holding company APV has been going around the boards of state-owned companies, weeding out appointees from the old socialist-led government.

Last Friday, APV replaced the entire board of airline Malev. One of the new faces is Beatrix Hingyi, the daughter-in-law of Jozsef Torgyan, leader of the Smallholders, the minority coalition party.

There has been much official muttering about Hingyi's industry knowledge – apparently her father worked for Air Canada, and she has taught English at Malev, where her mother once ran the ticket office. But APV boss Gyula Gansperger has let the cat out of the bag by admitting that the appointment was aimed at gaining "united government support" for changes at Malev.

At least it's better than the bad old days of political appointees.

## General retreat

Given the billions of D-Marks it has lent to Russia, Germany is understandably keen to get to know the pretenders to succeed President Boris Yeltsin next year. So the red carpet was out in Bonn yesterday for Alexander Lebed.

But the brash ex-paratrooper called off a meeting with German officials at a few minutes notice pleading "exceptional circumstances": the debt crisis back home required his immediate return.

This left German officials wondering why the governor of a Siberian province needs to be involved in national debt negotiations – and why the man who wants to run Russia hadn't noticed the crisis sooner.

Financial Times

## 100 years ago

**Latest Troubles in China**

Shanghai, 17th Nov. Lord Charles Beresford expresses intense surprise at realising upon his recent visit to Neu-Chwang that it has become practically a Russian port, without the residents sounding any warning as to what was being done. The German warships Arcona, Cormoran and Prince Wilhelm have gone to assist the German flagship Kaiser, which is ashore near Foochow. M. Bessure, the French Consul-General, on account of the lack of progress in his efforts to procure an extension of the French concession at Shanghai, has proceeded to Nan King in the cruiser Descartes to negotiate with the Viceroy direct. Another outrage on a French mission in China has occurred.

## 50 years ago

**Irish Constitution Changes**

The Dail [the Irish national assembly] has given leave to Mr. Costello to introduce the Republic of Ireland Bill, which contains five short sections in all containing less than 100 words. Section Two declares that the description of the State shall be the Republic of Ireland.

# FINANCIAL TIMES

WEDNESDAY NOVEMBER 18 1998

## THE LEX COLUMN

# Greenspan's bubble

So Alan Greenspan has saved the world yet again. Not so fast. Yesterday's cut in rates may come to be seen as the moment when the Federal Reserve inflated the US bubble economy to bursting point.

To be fair, the Federal Reserve chairman has a tricky task. He must bring the US economy and stock market off their highs – without provoking a panic. The previous two cuts in rates were justified by the need to pour oil on troubled waters following the Russian crisis and the near collapse of Long-Term Capital Management. The Fed justified the latest cut on the grounds that unusual financial strains remain. But it is not clear what it is referring to. Risk premia in bond markets have shrunk since the last cut, while stock markets have soared.

Maybe Mr Greenspan is aware of some nasties that have so far escaped the market. If not, the cut risks stoking the boom. Consumer price inflation may be subdued. But the money supply is growing fairly rapidly and, as a result, liquidity is seeping into asset price inflation. It is not just the stock market that needs to cool. With the savings ratio now negative and a gaping current account deficit, the real economy is overheating. If there were signs of a significant slowdown, yesterday's cut might have been right. But the economy is still expected to grow 3.6 per cent this year and 2 per cent next. By pumping the economy up now, any fall could be all the more painful.

### Viag/Alusuisse Lonza

It is hard to know whether to laugh or cry. Viag's tilt at Alusuisse Lonza takes the "utility on the rampage" theme into uncharted territory. Just when Viag shareholders were hoping for greater focus at home, they find a cross-border conglomerate pile-up on their hands. Wilhelm Simson, the new chairman, should count himself lucky the shares fell only 7 per cent. Had shareholders known they were buying into a no-change story – or worse still, a doubling up on the "value in diversity" gamble – Viag's shares would not have outperformed this year.

With any luck, Viag will now retreat. However, potential savings from broadly similar chemicals, packaging and aluminium businesses seem likely to be wheeled out in justification. Shareholders should not be convinced. Viag has enough flab to take out of its own cost base before turning its attentions elsewhere, even if it had the management credibility to try in the first place. A juicy premium to Alusuisse shareholders would in any case offset the bulk of such savings, making the deal a likely value-destroyer even before the miseries of size take their toll. Unless Mr Simson insists that he is purchasing Alusuisse only as a defensive move to fatten up Viag's low-valued and sub-scale non-electricity divisions as a prelude to their speedy sale, shareholders should vote against the acquisition.

He is, however, unlikely to do so. Far more likely is a dramatic affirmation of Viag's conglomerate philosophy. In return, Mr Simson should not be surprised to lose the support of bitterly disappointed shareholders.

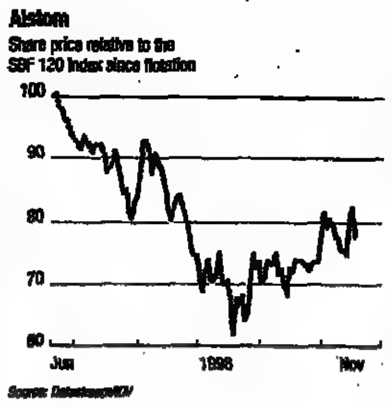
### Volvo

The trouble with refocusing on core businesses is the alarming transparency it affords investors. Volvo, like other vehicle makers in a sector facing a glut of new models, faces intense scrutiny on current performance and likely prospects. Hence fresh efforts to cut costs as it strives for operating margins of 5-7 per cent. It does seem to have some fat to aim for among its 73,000 employees. In Volvo Sweden, for instance, fewer than two thirds of employees are on the production lines.

This is the sharp end of the productivity drive instituted last December by Leif Johansson, the new chief executive. Falling demand in Asia and Latin America and fears of slackening growth in Europe and the US have lent urgency to the exercise. But it is difficult to generate a sense of urgency with SKr18bn in the bank. So, for now, Volvo can stave off awkward questions about the independence of its carmaking business.

The suspicion remains that it is too small to sustain relentless development costs and to compete profitably against much bigger US, German and Japanese makers. Circling predators could include Volkswagen, Ford or General Motors which, as part-owner of Saab, could make a case for a strengthened Swedish auto champion.

### Alstom



Source: Datastream/ICV

After the reputational damage done to big shareholder Alcatel by its surprise profits warning, Alstom is signalling its discomfort clearly in advance. Orders received in its maiden first half rose 14 per cent. But the company damped expectations with the unsurprising comment that if the global economic downturn persisted, the order book could be hit during the next two years. No horrors there. Respected rivals such as ABB have also warned of soft demand. The issue is whether Alstom can cut enough costs to compensate.

Here, Alstom is unlucky to be competing against General Electric, most managers' idea of a nightmare. Alstom's margins in its biggest business, power generation, are roughly half those at GE. It has cut 5,000 jobs this first half, and taken out some capacity. But the savage price fall in the power generation equipment market since the start of the decade demands more radical action. ABB reckons it will have cut 16,500 staff by the end of 1998. Alstom's big provisions could fund a further 15,000-20,000 cuts. These are painful measures to announce. Without them though, the company may struggle to hit margin targets. Hoped-for savings on production costs are more likely to go to customers than Alstom's bottom line.

Further out, the challenge is to build sales through acquisitions, preferably in the transport and transmission sectors. None of these are quick fixes, so some share price discount to ABB is likely for a while yet.

# Threat of world financial turmoil fading, says OECD

## Think-tank forecasts considerable risks to growth next year

By Richard Adams in London

The world economy is in less danger from financial turmoil than it was a few weeks ago, but risks to growth next year remain high, according to the Organisation for Economic Co-operation and Development.

The Paris-based think-tank forecast yesterday that the risks included a sharp fall in global equity markets, weakness in emerging markets and the failure of the Japanese banking sector to restructure.

The half-yearly report predicted world growth of 2 per cent this year and 2.1 per cent next year, followed by a recovery to 2.9 per cent in 2000.

It included a prediction of growth of just 0.2 per cent in Japan next year, but of 1.5 per cent in the US and 2.2 per cent in the European Union. Total overall growth among OECD members was forecast to be 1.7 per cent.

"The level of activity in the US and the UK remains high, but expansions there are clearly past their cyclical peaks and signs of slowdowns, which could prove to be abrupt, have begun to emerge," the report said.

The predictions are more subdued than the organisation's last series of forecasts in March. Yesterday's predictions knocked 3.4 percentage points off the forecast for Japanese growth during 1998-99, and 1 percentage point off OECD area growth as a whole during the same period.

Ignazio Visco, the OECD's chief economist, said the risks to the world economy had diminished, but warned that another fall in equity markets was probably the most likely risk. He said a series of sharp currency depreciations, Japan's failure to solve its economic and banking problems, and another round of emerging market turmoil were also major risks.

To recognise the potential risks to its central forecast, the OECD has included an unusually detailed discussion of the likely problems that could exacerbate the international slowdown.

"In particular, failure by Japan to resolve its banking problems and a further decline in domestic demand there could lead to renewed downward pressure on the yen, thereby setting off another wave of currency depreciations and upward pressures on interest rates in other countries in the region," the OECD said.

The report called for further cuts in US interest rates, by half a percentage point in the Federal-funds rate, but this was before yesterday's announcement by the US Federal Reserve of a 0.25 percentage point cut in its Federal funds rate to 4.75 per cent.

In the euro-currency area, short-term interest rates are assumed to converge down to near the current German level. The forecast also assumes that the new European Central Bank lowers short-term rates twice next year, from 3.5 per cent to 3 per cent, before raising them again in 2000.

OECD warns, Page 4
OECD issues growth alert, Page 13
Home truths for Japan, Page 18

# Blow for Tokyo as Moody's downgrades sovereign debt

By Gillian Tett in Tokyo

Moody's, the US credit rating agency, downgraded Japan's sovereign debt yesterday because of fears that the government would be unable to resolve the country's mounting economic problems soon.

The move is a painful new humiliation for the Japanese government as Bill Clinton, US president, begins a visit to Tokyo tomorrow. It also highlights fears that the government's latest Y24,000bn ($196bn) stimulus package will have limited success in pulling the country out of recession.

Japan's foreign currency and yen debt are now rated at Aa1, one notch below the highly-prized Aaa status held by countries such as the US, Germany, France and UK.

The downgrade also forced Moody's to lower the Aaa rating for Nippon Telegraph and Telephone and Toyota Motor. The agency does not give companies higher ratings than their home countries. Traders warned that Moody's action could raise corporate funding costs in the medium term, particularly for weak sectors such as banking and construction. Stephen Apted of Nikko Securities said: "I suspect that yen credit spreads domestically will be hit by this, but it looks like the widening will be gradual."

Moody's also warned that it might consider further ratings downgrades. Vincent Truglia, Moody's managing director of sovereign risk, said: "Japan is gambling that its policies will result in beneficial, self-sustaining results ... but we are concerned that stimulus packages may not produce self-sustaining growth."

The Japanese government angrily shrugged off the downgrade yesterday. Kiichi Miyazawa, finance minister, said: "I believe that Japanese government bonds are the most credible in the world."

Markets also reacted calmly. The yield on the benchmark 10-year government bond closed at 0.86 per cent, only 1.5 basis points higher than the previous day. The Nikkei 225, the key stock market indicator, fell 0.21 per cent to close at 14,413.

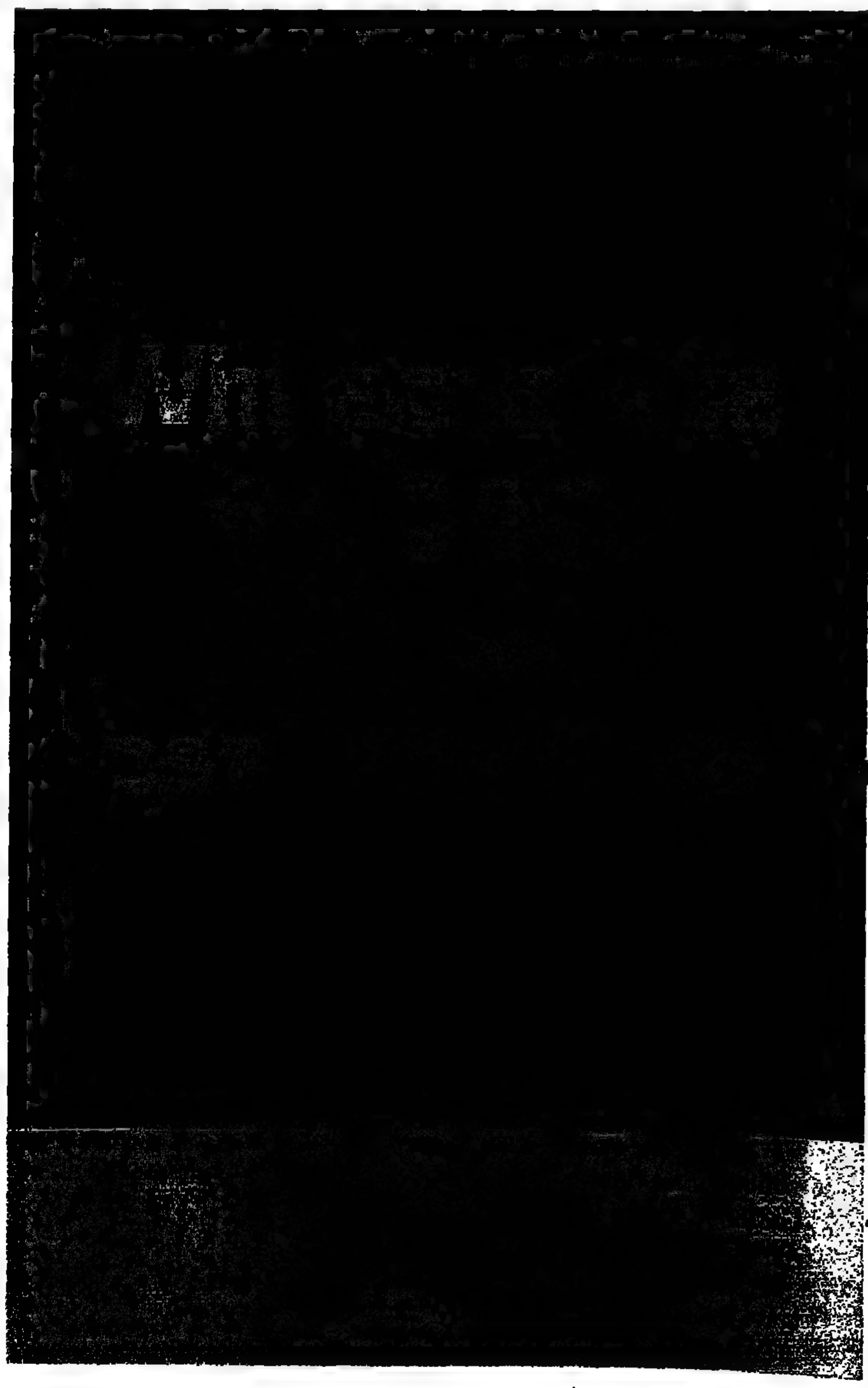
However, analysts pointed out that the downgrade comes amid rising fears that the latest Y24,000bn stimulus packages will force the government to issue large quantities of bonds soon.

Mr Miyazawa indicated this week that the package would probably raise net bond issuance in fiscal 1998 and 1999 from around Y47,000bn to at least Y60,000bn.

Moody's blamed the move on its concern that debt levels were rising to unsustainable levels without generating a sustained expansion.

Standard & Poor's, another big US credit rating agency, said it had no plans to change its top-notch rating of Japanese debt. It still believed the country had the reserves to cope.

Home truths for Japan, Page 18
Observer, Page 19
NTT $3.8bn charge, Page 21
Toyota rating cut, Page 28



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Kurds, holding a banner of Turkish guerrilla leader Abdullah Ocalan, demonstrate in Germany as part of a series of protests in Europe over his recent arrest in Italy. Report, Page 2; Editorial Comment, Page 19

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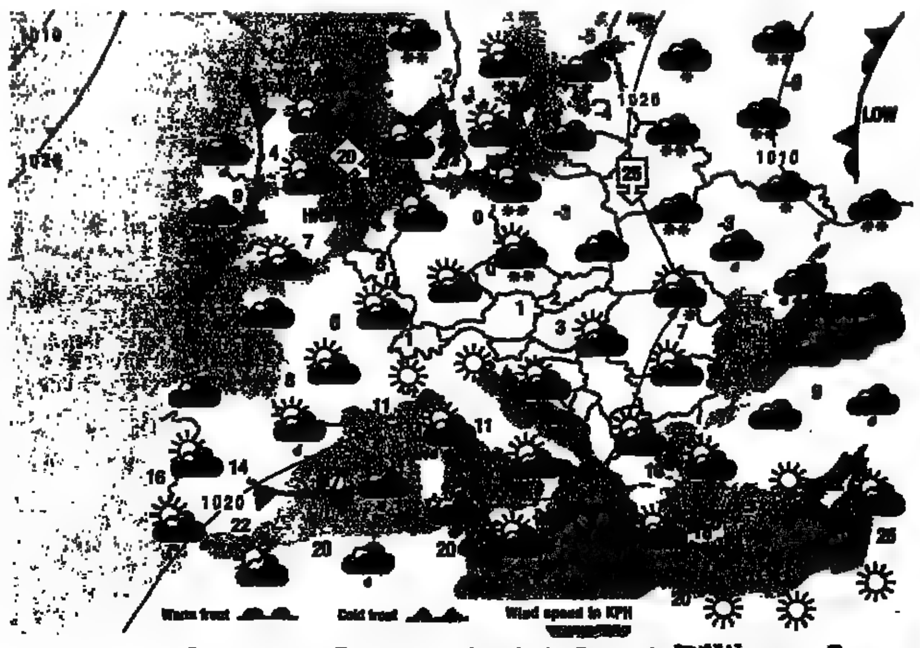
## FT WEATHER GUIDE

**Europe today**

The central and eastern Mediterranean will be cool with sunshine and showers. Showers may be thundery across Corsica, Sardinia and central Italy. The western Mediterranean will be bright and warm, although a weak front will bring showers to the Balearics. Central and north-west Europe will be settled as high pressure continues, but it will be cold with frost and patchy freezing fog early and late. Scandinavia will be frosty with a scattering of snow, but the most widespread snow will be in eastern Europe, particularly western Russia.

**Five-day forecast**

Central and eastern Europe will stay frosty with snow. Scandinavia will become milder and more unsettled. North-western Europe will be settled with overnight fog and frost, although the British Isles will turn less cold and more changeable.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

**TODAY'S TEMPERATURES** (Maximum Celsius)

| | | |
|---|---|---|
| Abu Dhabi | Sun | 32 |
| Accra | Fair | 32 |
| Algiers | Fair | 20 |
| Amsterdam | Fair | 4 |
| Athens | Fair | 13 |
| Atlanta | Fair | 20 |
| B. Aires | Sun | 21 |
| B.ham | Fair | 5 |
| Bangkok | Cloudy | 32 |
| Barcelona | Fair | 13 |
| Beijing | Sun | 7 |
| Belfast | Drzzl | 8 |
| Belgrade | Fair | 5 |
| Berlin | Fair | 0 |
| Bermuda | Fair | 25 |
| Bogota | Fair | 19 |
| Bombay | Sun | 33 |
| Brussels | Fair | 5 |
| Budapest | Fair | 3 |
| C.hagen | Fair | 2 |
| Cairo | Fair | 25 |
| Caracas | Fair | 30 |
| Cardiff | Fair | 8 |
| Casablanca | Sun | 21 |
| Chicago | Fair | 11 |
| Cologne | Fair | 4 |
| Dakar | Sun | 30 |
| Dallas | Fair | 24 |
| Delhi | Sun | 26 |
| Dubai | Sun | 32 |
| Dublin | Rain | 9 |
| Dubrovnik | Sun | 9 |
| Edinburgh | Fair | [illegible] |
| Faro | Sun | 20 |
| Frankfurt | Fair | 3 |
| Geneva | Fair | 1 |
| Gibraltar | Fair | 20 |
| Glasgow | Fair | 4 |
| Hamburg | Fair | 2 |
| Helsinki | Cloudy | -5 |
| Hong Kong | Cloudy | 28 |
| Honolulu | Fair | 28 |
| Istanbul | Fair | 9 |
| Jakarta | Fair | 32 |
| Jersey | Fair | 9 |
| Joh.burg | Thunder | 25 |
| Karachi | Sun | 31 |
| Kuwait | Sun | 30 |
| L. Angeles | Sun | 21 |
| Las Palmas | Sun | 25 |
| Lima | Fair | 22 |
| Lisbon | Sun | 16 |
| London | Fair | 7 |
| Lux.bourg | Fair | 4 |
| Lyon | Cloudy | 3 |
| Madeira | Shower | [illegible] |
| Madrid | Fair | 14 |
| Majorca | Shower | 17 |
| Malta | Shower | 19 |
| Manchester | Fair | 6 |
| Manila | Thunder | 31 |
| Melbourne | Fair | 18 |
| Mexico City | Fair | 24 |
| Miami | Shower | 29 |
| Milan | Fair | 9 |
| Montreal | Fair | 5 |
| Moscow | Snow | -9 |
| Munich | Fair | 2 |
| Nairobi | Thunder | 28 |
| Naples | Fair | 13 |
| Nassau | Sun | 29 |
| New York | Fair | 11 |
| Nice | Shower | 11 |
| Nicosia | Fair | 23 |
| Oslo | Sun | -2 |
| Paris | Fair | 6 |
| Perth | Sun | 25 |
| Prague | Fair | 0 |
| Rangoon | Cloudy | 30 |
| Reykjavik | Rain | 6 |
| Rio | Fair | 27 |
| Rome | Shower | 11 |
| S. Frsco | Fair | 17 |
| Seoul | Fair | 10 |
| Singapore | Rain | 30 |
| Stockholm | Snow | -3 |
| Strasbourg | Fair | 4 |
| Sydney | Shower | 18 |
| Tangier | Fair | 21 |
| Tel Aviv | Fair | 25 |
| Tokyo | Cloudy | 16 |
| Toronto | Fair | 7 |
| Vancouver | Shower | 8 |
| Venice | Fair | 7 |
| Vienna | Fair | 1 |
| Warsaw | Snow | -3 |
| Washington | Sun | 13 |
| Wellington | Fair | 17 |
| Winnipeg | Cloudy | -2 |
| Zurich | Fair | 2 |

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FINANCIAL TIMES
# COMPANIES & MARKETS
WEDNESDAY NOVEMBER 18 1998

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## INSIDE

**WestLB in DM293m Russia provision**
Westdeutsche Landesbank, Germany's largest public sector bank, followed the example of commercial bank rivals and announced substantial risk provisions to cover its credit exposure to Russia. WestLB said risk provisions of DM293.4m ($176m) covered 70 per cent of its unsecured exposure to Russia of DM1.8bn, with restructured loans and securities holdings valued at secondary market prices. Page 22

**Mexican market wary of budget**
From petrol pump attendants to captains of industry, Mexicans are grumbling about the government's austere 1999 budget package sent to Congress last week, and investors have channelled their disapproval through the stock market. It has fallen for seven straight days as industry executives believe the proposals weigh heaviest against listed companies. Page 40

**Canadian banks renew merger drive**
The Royal Bank and Bank of Montreal, the Canadian banks proposing to merge, launched a renewed public relations drive to turn around what has so far been an unsuccessful campaign to persuade the federal government and the public of the benefits of the merger. Page 24

**Fannie Mae in £250m bond issue**
The international bond markets were subdued in advance of the Federal Reserve's open market committee meeting although a small handful of borrowers kept the primary side ticking over. Fannie Mae, the US mortgage agency, took advantage of the relatively quiet dollar sector to launch a £250m offering that could grow into a new five-year benchmark in sterling. Page 28

**Hope for banana crop hit by Mitch**
Banana companies in Honduras, where it was feared Hurricane Mitch had wiped out virtually all of the crop for at least a year, have become hopeful of a quicker restart to production, possibly in January. The main obstacle will be the precarious state of transport. Page 30

**Emerging market analysts under fire**
There are too many equity analysts working on emerging markets, according to a survey of fund managers published by Reuters yesterday. The survey, carried out by Tempest Consultants, showed there was a consolidation taking place in emerging market equities with analysts most directly in the firing line. Page 28

**Palladium demand outstrips supply**
The automotive and electronics industries are still using much more palladium than can be produced by the main supplier, Russia, according to Johnson Matthey, the palladium and platinum marketing group. Page 30

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# Hoechst splits off industrial chemicals

## Move could pave way for merger with Rhône-Poulenc

By Graham Bowley in Frankfurt and William Lewis in New York

Germany's Hoechst yesterday jettisoned most of its remaining industrial chemicals businesses, in a move that could pave the way for a merger with Rhône-Poulenc of France.

The demerger, which Jürgen Dormann, Hoechst chief executive, said was the biggest of its kind in Germany, sharply accelerates the group's transformation from a chemicals conglomerate into a life sciences company.

Hoechst is splitting off its Celanese basic chemicals and Ticona technical polymers activities and other smaller businesses into a separate company with annual sales of DM9.6bn ($5.7bn), one-fifth of Hoechst's total revenues.

The move could also remove an important obstacle to a merger between Hoechst and Rhône-Poulenc. Both companies yesterday again refused to confirm they are in merger talks, but people close to the companies said negotiations were focused on a tie-up between both groups' pharmaceuticals and agrochemicals businesses to create a single life sciences group.

However, people close to the talks warned that public disclosures about the possible merger had created uncertainties and might delay a final deal.

A merger would create one of the biggest life sciences groups in the world. The rationale behind the deal is to improve both sides' research and development capabilities.

After the announced demerger, Hoechst will comprise Hoechst Marion Roussel, its big pharmaceuticals business, and AgrEvo and Hoechst Roussel Vet, its smaller agrochemicals activities.

But Mr Dormann, who has faced severe criticism from investors since the pace of the group's disposals slowed earlier this year, denied the demerger of industrial chemicals had been influenced by concerns about a possible link with Rhône-Poulenc.

Under the terms of the demerger, shareholders will be given one additional share in the new company – to be called Celanese AG – for every 10 Hoechst shares.

Hoechst has called an extraordinary shareholders' meeting for January. If shareholders approve, the new company will be listed in Frankfurt and New York around the end of March. It will be headed by Claudio Sonder, the Hoechst board member responsible for industrial chemicals.

The group yesterday reported a sharp deterioration of its business in the third quarter and issued a stark warning. "We believe prices will remain under pressure and volumes will stagnate," Mr Dormann said.

Pre-tax profit in the third quarter fell 77 per cent to DM181m. Sales declined 15 per cent to DM10.2bn.

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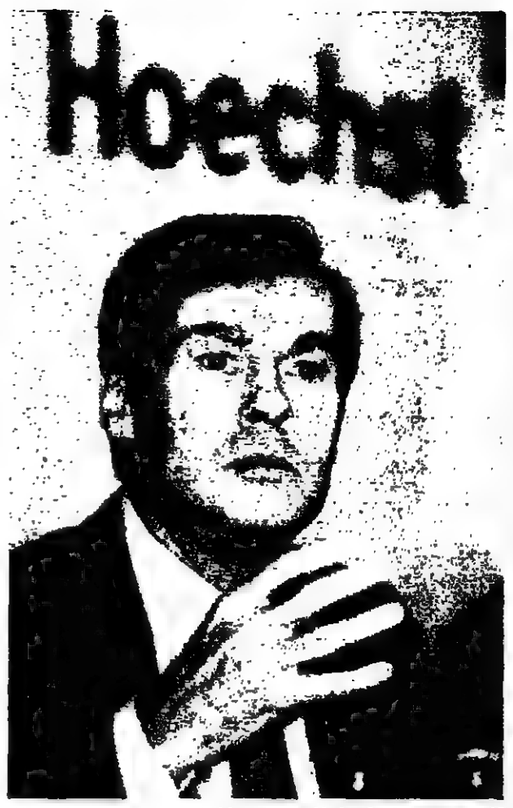

Jürgen Dormann: demerger is biggest of its kind in Germany AP

# NTT takes $3.8bn charge over pension changes

By Michiyo Nakamoto and Julie Hunt in Tokyo

NTT, Japan's largest telecommunications group, is taking a charge of Y460bn ($3.8bn) against first-half profits as a result of a change in the way it reports its pension liabilities. The group's pension scheme is underfunded by Y3,552bn, which NTT is depreciating over the next six years.

News of the charge comes ahead of the group's results, due out on Friday, which will coincide with a decision by the finance ministry on the sale of a fourth tranche of shares in the group. The timing will help clarify NTT's balance sheet for potential international investors.

NTT's move is a stark indication of the size of the pension underfunding problem facing many Japanese companies. Goldman Sachs estimates the total underfunding of Tokyo stock exchange listed companies to be Y80,000bn.

Under current Japanese rules, pension liabilities can be placed off balance sheet, making it difficult to ascertain the impact of the pension funding status on future earnings.

But it is likely that new legislation will force them to adopt pension accounting standards close to those in the US in fiscal 2000, requiring them to disclose their pension liabilities for the first time. Many are likely to face a charge resulting from the difference between the value of liabilities calculated under Japanese rules and that calculated according to the stricter rules.

NTT's Y460bn charge will only be reflected in the results published in New York and stems from NTT's adoption of rules from the Securities and Exchange Commission, the US watchdog, for recognising pension liabilities. It will not be reflected in group earnings published in Japan.

The switch from being a regulated to a deregulated industry means that NTT, which is still 65.4 per cent owned by the finance ministry, has to comply with SEC's stricter pension liability rules.

On Friday, the telecoms group is expected to see pretax profits rise from Y800.5bn to Y653bn, largely as a result of growth in the cellular business of its subsidiary, NTT DoCoMo.

# New setback for Roche as EU halts Tasmar sales

By William Hall in Zurich

Roche, the Swiss pharmaceutical group, has suffered its third setback over new drugs in little more than a year, following a European Union decision to halt sales of Tasmar, a drug for treating Parkinson's disease.

The European Commission, which approved the use of Tasmar in August 1997, has asked member states to suspend the use of the drug following concerns about a possible link with liver problems. Roche said yesterday that three fatal cases had been reported but stressed it still provided a "clinically significant benefit that outweighs the risks".

Tasmar was one of three drugs Roche had been hoping would revive sales growth. Plans to market Xenical, an anti-obesity drug, hit regulatory delays in the US, and in June Roche withdrew Posicor, used for treating high blood pressure, after adverse side-effects were noted.

Last year Roche had pharmaceutical sales of SFr12.1bn ($8.8bn) and before the problems with the launches of Xenical, Posicor and Tasmar, analysts had been forecasting that the new drugs would kick-start its revenues. Last year, for example, Salomon Brothers estimated Xenical's potential sales at more than SFr2bn a year, while Posicor would generate SFr1bn and Tasmar would exceed SFr700m.

Xenical is still expected to get US approval in early 1999 and analysts remain optimistic about its potential. However, following the withdrawal of Posicor and concerns about Tasmar, analysts had already sharply reduced revenue projections for the drugs. Roche indicated yesterday that Tasmar's potential might be about SFr200m a year.

One analyst said the "effect on the bottom line is limited, but the image and psychological problem is more grave", and raised questions about the productivity of Roche's new drug research programme.

Roche's non-voting shares closed SFr90 lower at SFr15,860 yesterday.

Last month Roche wrote to doctors warning of a possible link between Tasmar and liver problems in patients. Following the three fatalities, the US Food and Drug Administration ordered changes in the way Tasmar was prescribed, and Roche agreed to a so-called "black box warning" on the product. This indicates that the drug should only be used as an adjunctive therapy in patients with Parkinson's disease who do not respond satisfactorily to other therapies.

Roche said yesterday that it disagreed with the EU's decision to suspend Tasmar sales and noted it had agreed guidelines for its restricted use with the FDA. However, it said its principal concern was to implement the Commission's decision with the patients' interests in mind. It was also working closely with regulatory authorities in other countries to ensure the revised recommendations for the use of Tasmar are implemented.

# Wells Fargo merger hit by 2000 problem

By John Authers in New York

Wells Fargo, the third largest US bank by market value following this month's merger of Minnesota-based Norwest Financial and Wells Fargo of San Francisco, will take three years to complete the integration of its businesses.

The "year 2000" computer problem is the main reason, although the company is also keen to avoid any disruptions to customer service.

Richard Kovacevich, chief executive of the new group and former head of Norwest, said: "We really believe that if you rush these things you run the risk of customer issues. I don't want to suggest that this is all year 2000. But if there wasn't a year 2000 issue we would be talking of the order of two years or so."

The news follows difficulties in integrating two other large banking mergers that were completed last month. Both BankAmerica, formed by the merger of Bank of America with NationsBank, and Citigroup, formed by Citicorp's merger with Travelers Group, suffered the resignation of their president within a month of being formed.

Work on integrating the Norwest and Wells Fargo systems will stop next September and is not scheduled to restart until March 2000 – although it could be resumed earlier if the problem proves less serious than is feared.

The new bank expects to take three years before all computer systems have been integrated, and before all the company's branches have changed their names.

Mr Kovacevich said Wells Fargo was confident about its own systems, but added: "We just don't know about the rest of the world. The last thing you want to do... is not have capacity if you are going to correct some problems that are caused by others."

Wells Fargo's caution may also be influenced by the service problems that followed its earlier acquisition of First Interstate, when the bank suffered a huge loss of deposits from dissatisfied customers.

BARRY RILEY

# Still underperforming

Beleaguered UK pension fund managers are still struggling to make sense of unstable markets. Preliminary figures from Caps, one of the two main performance measurement agencies, suggest that external pension fund managers underperformed the UK's All-Share Index by 90 basis points in the third quarter, and did even worse in overseas equities.

Total equity underperformance was over 150 basis points in the first nine months of 1998. Remember, this follows dreadful relative performance in 1997 after which pension funds scrambled to reduce their risks against their benchmarks – by resorting to closet indexing.

Ironically, falling share prices were *supposed* to have helped active managers, if only because of their high liquidity (an above-average 9 per cent for these Caps-measured funds). In the third quarter returns on UK equities were negative to the tune of 14 per cent, but to no relative avail.

It could be, though, that these numbers (covering only 50 per cent of the full sample) give a misleading picture. Brokers Schroder Securities believe that UK institutions as a whole (including in-house managed pension funds and life companies) *outperformed* by 14 basis points in July-September.

Schroder's latest regular update on UK equity ownership reveals the scale of the retreat to the benchmarks. Pension funds' underweight position in the top 30 stocks has shrunk by £23bn ($36bn) since the start of the year.

UK institutions now have 95 per cent of a full market weighting in the big four sectors (banks, telecoms, pharmaceuticals and integrated oils) compared with 91 per cent at the beginning of 1997. Those four sectors now represent 41 per cent of the All-Share (and 51 per cent of the Footsie).

The main problem area remains the banks where last year's demutualisations, by distributing so much stock among the public, have created such a technical squeeze. Now another crisis looms over BP, where the merger with Amoco will raise the weighting to over 7 per cent of the All-Share and leave UK funds theoretically short of £17bn of stock.

It is easy to see why big managers (other than *Phillips & Drew*) are seeking to protect existing client bases in this way. But in reducing their own business risks, by concentrating the portfolios, they are increasing their clients' absolute risks.

It is ultimately a formula for collective suicide by active managers. By systematically buying their underweights and selling their overweights they are generating almost guaranteed underperformance compared with the index-tracking managers who are gleefully piling on new accounts. This rebalancing is one reason for the agony in the mid cap and small cap sectors, which are now sectorally quite different stock markets from the Footsie (the combined weighting of the previously mentioned four sectors in the 250 Index is under 2 per cent).

Overseas the UK-based pension fund managers appear to have similar stock selection problems. They markedly underperformed the World ex UK Index in the third quarter even though their big and dangerous bet (the one-quarter weighting in the US market) did not, on balance, count much against them.

We seem to have reached the end of an era in UK pension fund management. Many big schemes are locked in strategic reviews with consultants. Meanwhile, the old fundamentals of equity management no longer appear to work properly. Value sectors such as engineering, chemicals, construction and even retailing are in headlong retreat. The next nightmare for UK managers could easily be a *US-style explosive growth* in internet or other technology stocks, which could not be addressed within a conventional valuation framework.

Certainly a shift of emphasis towards absolute returns is urgently required. The current risk control methodology presents an open invitation for big, dull foreign companies to list in London and create an instant technical shortage; cue Anglo-American.

October 1998
This announcement appears as a matter of record only

£100 million buy-out led by Electra Fleming

Capital Safety Group

Manufacturer of fall protection equipment for industrial use (formerly the Safety Equipment Division of BTP PLC)

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**INVESTMENT BANKING** PRE-MERGER EQUITY DERIVATIVES DEALS RAISE UBS LOSSES TO SFr911m

# UBS trading losses higher than expected

By William Hall in Zurich

UBS has indicated that the potential losses on its controversial global equity derivatives trading prior to this summer's merger with Swiss Bank Corporation probably topped SFr1.5bn ($1.1bn), far higher than expected.

Since the problems in UBS's global equity derivatives business first surfaced this year there has been confusion about the scale of losses run up by the old UBS in 1997. In July, the Swiss Banking Commission concluded that losses of SFr625m in 1997 had been the result of misconduct by individuals in the global equity derivatives business.

UBS said that the Swiss Banking Commission's investigation had put an end to speculation concerning the size of losses. However, UBS, which yesterday reported a third quarter net loss of SFr911m, said that its performance was hit by a SFr919m net loss incurred on pre-merger equity derivatives positions. UBS indicated that this figure was in addition to the losses mentioned in July.

UBS had already warned in September that it would report a third quarter loss of between SFr0.5bn and SFr1bn. It has indicated that problems in Russia and other emerging markets would lead to a SFr630m drop in income and the writedown of its position in Long Term Capital management would cost SFr950m. These figures were confirmed yesterday.

But though the group's net loss is at the top end of expectations, the scale of losses on equity derivatives has surprised analysts. Madeleine Hofmann, of Credit Suisse First Boston, said it showed that the losses run up by the old UBS were "always higher than they told us".

She said UBS's third quarter would have looked worse if it had not made use of the release of earlier provisions to cover SFr1.9bn of the SFr2.4bn of writeoffs in the first nine months of 1998. She also felt that the scale of the losses might also have been a contributory factor in the resignation of Mathis Cabiallavetta, the UBS chairman, who had been associated with the rapid buildup of the global equity derivatives business under Ramy Goldstein.

UBS said it expected a positive fourth quarter and it expected to recover a significant portion of the non-realised losses on the latest SFr1bn reduction in equity derivative positions. Nevertheless, it expected that its full year net profit would be below the SFr3.5bn reported in the first half of 1998.

UBS said that the pre-merger equity derivatives positions were reviewed extensively during the early stages of the UBS/SBC merger and provisions considered appropriate at the time were taken in the first half results. Market movements in the third quarter were so extreme that additional writedowns were necessary in the equity derivative portfolio. Of this SFr791m was included in the third quarter results.

# Merger talk unofficial guest of honour at Hoechst party

Agrochemicals business is set to be the winner from any link-up, write **Jenny Luesby, Graham Bowley and David Owen**

Hoechst had billed yesterday as a big occasion, even by the standards of its permanent revolution, but by the time the bottle was uncorked no-one cared about the German group's final exit from its former chemicals core: where was the merger with Rhône-Poulenc?

Industry watchers studied every inflection at the German group's quarterly press conference. They learnt nothing. Hoechst refused to comment on the reports that it is in merger talks with its French peer Rhône-Poulenc.

Elsewhere, more "knowledgeable insiders" came forward to say merger talks were definitely under way. And, just to add to the mystery, Schering, which owns 40 per cent of AgrEvo, the agrochemicals joint venture with Hoechst, said it was not in talks with Rhône-Poulenc.

"It would seem odd if Hoechst were to negotiate the merger of its agrochemicals business without involving its 40 per cent partner," said Peter Mackey, chemicals analyst at Dresdner Kleinwort Benson.

This is especially so since agrochemicals looks to be a more likely winner from the merger than either pharmaceuticals or chemicals.

AgrEvo remains among the top five producers in the agrochemicals industry. But the sector's steady consolidation has seen 10 companies gain control of four-fifths of world sales, and AgrEvo lose ground, most notably to Novartis and Monsanto. Market share and technology leadership are both critical to continuing expansion in a sector all but stagnant in total demand.

AgrEvo is still thriving. Its genetically modified crops are well advanced and it has gained market share from DuPont by selling corn "systems", which combine seeds and chemicals. Some analysts even predict operating profit to double to around DM750m ($450m) by 2000.

For all of these reasons it would be an attractive partner for Rhône-Poulenc, which is running late in developing its genetic business. However, it does have a strong and expanding chemicals portfolio, and is even gaining sales on the back of a completely novel chemical compound, fipronil.

**Geographically, the businesses would complement each other**

Geographically, the two businesses would complement each other to some extent, and together would hold 15 per cent of the global agrochemicals market.

Nor would Rhône-Poulenc's joint venture with Merck present an obstacle. The US company owns half of Merial, which is contained within Rhône-Poulenc's agrochemicals business. Merial is its animal health business, selling animal food supplements and genetically modified poultry. "I don't see Merial as an obstacle," says Philippe Cottet, an analyst with Crédit Lyonnais Securities in Paris.

However, Schering would surely have to be involved in such a union. It does not seem likely it would sell out to Hoechst, or to Rhône-Poulenc. "Schering wants to stay a part of it. It does not need the money," said Christiane Dienhart, analyst at Hypo- und Vereinsbank in Munich.

Moreover, when it comes to pharmaceuticals, analysts are having a hard time understanding the possible motives for the merger of Hoechst Marion Roussel and Rhône-Poulenc Rorer.

Certainly both groups could benefit from the acquisition of a first-rate pipeline. Indeed, Jürgen Dormann, the chairman of Hoechst, yesterday emphasised yet again that he would seek three qualities in any pharmaceuticals partner: a strong pipeline, technological know-how and greater US exposure.

Rhone Poulenc has none of these. With less than 1 per cent of the US pharmaceuticals market, the group falls far short of the presence needed to secure a strong position with the managed health-care groups that are the drugs buyers in the US. "One of the weaknesses of Rhône-Poulenc is its US presence," Mr Cottet says.

It does have two drugs that analysts believe will be its first blockbusters – Lovenox and Taxotere – with sales of more than $1bn a year. But it is dominated by small and medium-sized drugs, houses a substantial over-the-counter business and is operating at margins well below the industry average. Excluding exceptionals and depreciation, the group achieved a pharmaceuticals margin of just over 16 per cent in the first nine months of this year.

Analysts are also worried about RPR's shortage of new molecules.

At the same time, it could be argued that HMR is in no state for a merger. Formed when Hoechst merged its own activities with Marion Merril Dow of the US and Roussel Uclaf of France, its integration has been sufficiently arduous to force Hoechst to abandon its profits targets.

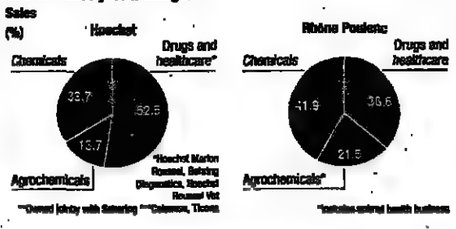
"A merger is all very well but the operating weaknesses of the two will not go away," said an analyst.

However, the merger would create an operation with marketing muscle. Combined, HMR and RPR would have a market share of around 4.6 per cent with drugs sales of around $12bn – neck and neck with Merck and Glaxo.

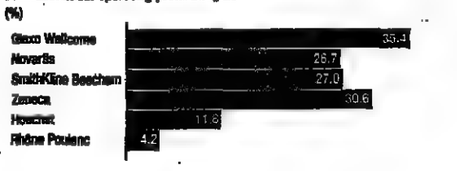
Maybe size just will be everything. "They would be the biggest in pharmaceuticals, number one or two in agrochemicals, number one in animal health," said an industry analyst.

**The chemistry of a merger**

Sales (%)




Pharmaceutical operating profit margins (%)




Competitors in agrochemicals

| | Sales ($bn) | Year on year % growth |
|---|---|---|
| Novartis | 4.20 | +3.2 |
| Monsanto | 3.13 | +22.3 |
| Zeneca | 2.67 | +1.7 |
| DuPont | 2.52 | +1.9 |
| Hoechst (AgrEvo) | 2.36 | -2.6 |
| Bayer | 2.26 | -3.8 |
| Rhône Poulenc | 2.20 | -1.8 |
| American Home Products | 2.12 | +8.5 |
| Dow Agro-Sciences | 2.06 | +23.4 |
| BASF | 1.85 | +0.3 |

Sources: Companies, HSBC

# Alstom shares tumble on warning

By David Owen in Paris

Shares in Alstom fell sharply yesterday after the Franco-British transport and engineering group announced results at the lower end of expectations and warned of a possible downturn in orders.

"The current downturn in the world economy could lead to a decrease in the level of orders received during the next two financial years when compared to the high level achieved in 1997/98 and that envisaged for the full year 1998/99," said Pierre Bilger, chairman and chief executive. "But the company is preparing itself for such an eventuality by reinforcing and accelerating its cost reduction programme."

In its first half-yearly results since it was partly spun off by Alcatel of France and General Electric of the UK at FFr205 a share in June, Alstom reported net income of Ecu120m ($141m) – a pro-forma advance of 15 per cent.

Earnings per share rose at the same rate to Ecu0.56. Sales fell 2 per cent to Ecu6.35bn, with orders received climbing 14 per cent pro-forma to Ecu7.27bn.

The company, in which Alcatel and GEC still retain equal 24 per cent stakes, emphasised that the first half traditionally represented about 40 per cent of its full-year figures.

It maintained its medium-term target of a 6 per cent operating margin. This compared with a margin of 4.6 per cent achieved in the latest six months, a figure which Mr Bilger indicated should be equalled or slightly improved over the year to March 31.

Some analysts said the long order backlog meant the company could prepare for any slowdown well before it affected turnover.

But Antoine Nodet of Paris brokerage Pinatton said he had been negative on the stock for a long time as the company was operating in mature markets, which meant growth must come from developing countries - many of which were in crisis.

The shares ended the day in Paris down FFr9.50, or 6.3 per cent, at FFr141.50, against a marginal decline for the benchmark CAC 40.

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# Markets give cool response to Viag talks

By Frederick Studemann in Bonn and William Hall in Zurich

Shares in Viag, the German conglomerate, fell 6 per cent yesterday on the news that the company was in talks with Alusuisse, the Swiss industrial group, about a possible takeover.

Viag shares closed down DM78 to DM1,117.

Alusuisse, whose interests range from aluminium to fine chemicals and packaging, said discussions with Viag involved varying degrees of co-operation but had "not resulted in any concrete agreement to date".

Viag made no official comment on a report in the Financial Times yesterday that the two companies were in takeover talks. But sources familiar with Viag confirmed negotiations were taking place.

It remained unclear when the talks would produce concrete results, although this was unlikely to be in the next few days, the sources said.

Analysts said a link-up would make sense on an operational level.

Nevertheless, investors appear sceptical about a move that will strengthen Viag's status as a diversified conglomerate just as other big German companies are pruning their portfolios. Viag, which had sales of DM39.5bn ($23.7bn) in the first nine months, recently announced its intention to sell off logistics, shipping, steel trading and other businesses with annual sales of about DM15bn.

"People are asking what type of Viag they want to see. Is it focused energy, telecoms and chemicals business or a conglomerate? Viag seems to want a conglomerate," said one analyst.

Alusuisse is one of Switzerland's best-managed conglomerates. In fine chemicals and packaging it has built up operations that analysts believe would strengthen Viag's operations in these areas.

Simon Marshall-Lockyer, of BT Alex Brown in Zurich, said an industrial buyer would have to pay a premium for Alusuisse. He thought a price of about SFr1,850 fair value. Shares of Alusuisse rose 5.1 per cent to SFr1,718, up SFr83.

"If this goes through it will go most of the way towards delivering an even mix between the energy and telecoms business on one side and the chemicals, packaging and aluminium on the other," one Frankfurt analyst said.

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## NEWS DIGEST

**OIL AND CHEMICALS**

### OMV hit by weaker prices and sale of plastics unit

OMV, the Austrian oil and chemicals group, said yesterday third-quarter earnings were hit by weak prices and the sale of its plastics unit, and the market outlook for the fourth quarter was even bleaker. OMV, Austria's biggest industrial concern, said earnings before interest and tax (EBIT) dropped to Sch3.02bn ($257m) from Sch4.32bn. The figures looked better after stripping out the sale of PCD Polymere but were still weak.

OMV bought a 25 per cent stake in European plastics giant Borealis earlier this year, financing the deal mainly by transferring PCD Polymere to Borealis.

Group interim pre-tax profit also fell sharply to Sch3.04bn from Sch4.06bn but net profit climbed 25 per cent, boosted by lower taxes, a significant reduction in extraordinary charges and financial income. The nine-month results were broadly in line with analysts expectations and OMV's shares slipped Sch2.4 to close at Sch1,116.50, in line with the ATX Index. Reuters, Vienna

**AIRLINES**

### Alitalia lifts turnover 5%

Shares in Alitalia, the Italian airline, soared on the Milan bourse early yesterday after the group said preliminary third-quarter results showed turnover up 5 per cent from the same period last year. They closed up L198 at L5,087 after an earlier 7.4 per cent jump to L5,250.

The flag carrier said its EBIT (earnings before income tax) margin rose 3 per cent in the third quarter and results pointed to full-year figures close to the L438bn ($266m) posted in 1997, which included one-time gains of L362bn.

The company aims to increase its EBIT to 10 per cent of sales in 2001, compared with 7.3 per cent in the first half of 1998. It aims to reduce labour costs as a percentage of sales to 20 per cent in 2001 from 22.4 per cent in June 1998. Domenico Cempella, managing director, said the airline aimed to be fully privatised by the end of 1999. Reuters, Milan

*Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com*

# Heavy job losses likely in Volvo revamp

By Tim Burt in Stockholm

Volvo, the Swedish automotive group, yesterday said it was finalising a strategic overhaul that could lead to heavy redundancies as it struggles to lift operating margins in the face of weakening demand.

The company, which last month announced a 27 per cent decline in nine-month profits, confirmed that senior managers in its six divisions had been asked to submit cost-cutting recommendations as part of a wide-ranging review.

"Much remains to be done if we are able to achieve our profitability objectives," said Leif Johansson, chief executive. "In my opinion cutbacks in personnel will be necessary."

He declined to comment on reports in a local newspaper that up to 4,300 white-collar jobs could be shed as part of the company's overhaul.

However, Mr Johansson admitted that signs of a weakening market had not improved since the group reported pre-tax profits down from SKr10.7bn to SKr7.79bn ($965m) in the first nine months of the year.

That reduced the group's underlying profit margin from 4.4 per cent to 4.2 per cent, compared with a target of 5-7 per cent.

Although the strategic review is not due to be completed until the end of the month, Mr Johansson is expected to spell out his vision of the company's prospects tomorrow, at a meeting of senior managers at its Gothenburg headquarters.

The annual meeting, involving directors from all Volvo divisions, is likely to be told that volatile demand for cars in western Europe and trucks in Latin America will contribute to flat sales this year.

In production, the cost-cutting is expected to be targeted on the car and truck sectors, the largest profit contributors at Volvo.

The car division has been hit by the launch costs of Volvo's S80, its new large-car flagship, while the truck business has been held back by sharply reduced sales in Brazil, where registrations fell 46 per cent in October.

As well as redundancies in those areas, the group hinted it could divest more non-core manufacturing plants.

Earlier this year, it announced the sale of its Swedish truck rear-axle plant to Meritor, the US truck-component company, for an undisclosed sum.

In Stockholm, Volvo's most commonly traded B shares rose SKr2.50 to SKr175.50. The shares have fallen 26 per cent in the past three months.

Lex, Page 20

# WestLB in DM293m Russia provision

By Tony Barber in Frankfurt

*Westdeutsche Landesbank*, Germany's largest public sector bank, yesterday followed the example of its commercial bank rivals and announced substantial risk provisions to cover its credit exposure to Russia.

Reporting its results for the first nine months of this year, WestLB said its risk provisions of DM293.4m ($176m) covered 70 per cent of its total unsecured exposure to Russia of DM1.8bn, with restructured loans and securities holdings having been valued at secondary market prices.

The bank, which provided almost DM600m last year against risks in south-east Asian countries, said that "from today's viewpoint, a further increase is not required" for that part of the world.

However it added that developments in Latin America were weighing especially heavily on the trading positions on West Merchant Bank, its London-based investment banking business, which specialises in emerging markets.

"The bank does not expect any significant additional risk provisioning at the end of the year, particularly as the risks have been deliberately valued conservatively," WestLB said.

Germany's main commercial banks, including Deutsche Bank, Dresdner Bank and Commerzbank, have all recently reported disappointing third-quarter results, largely because of the impact of the crisis in emerging markets. Involvement in Long-Term Capital Management, the US hedge fund that nearly failed in September, was also a factor in some cases.

Despite its problems in Russia and Latin America, WestLB said it expected its 1998 results to be at least as high as in 1997. Operating profit, after provisions, amounted last year to DM1.28bn.

It said its pre-tax net profit had risen in the first nine months of 1998 by 5.3 per cent to DM991.4m. The main contributor to the improvement in earnings was net interest income, which rose by 9.4 per cent to DM3.39bn.

**ACTIVITIES TO THE END OF SEPTEMBER AND PROFIT PROSPECTS FOR 1998**

**Turnover**

TECHNIP has consolidated sales of 8.69 billion French francs for the first nine months of 1998, which is growth of 4.1% compared to 8.35 billion French francs for the corresponding period of 1997.

This modest growth in turnover for a very sustained level of activity is due mainly to the significant presence, in the operations of the period, of Alliance contracts which do not have the same impact as turnkey contracts on Group turnover (part of the equipment and labour costs are assumed directly by the customer).

The continuation of this phenomenon in the fourth quarter should lead to turnover for the full year 1998, slightly higher than that for 1997. The significant impact of the historically high backlog, which was recently obtained, will have an impact during the financial year 2000.

**Consolidated turnover**

| (in millions of French francs) | 1998 | 1997 |
|---|---|---|
| First quarter | 2,730 | 2,433 |
| Second quarter | 3,080 | 2,907 |
| Third quarter | 2,875 | 3,012 |
| Total | 8,685 | 8,352 |

**Profit prospects for 1998**

The increase in profit for 1998 compared to 1997 should be higher than the increase in turnover.

TECHNIP

DESIGN & CONSTRUCTION OF MAJOR INDUSTRIAL PROJECTS

NOTICE OF EARLY REDEMPTION TO THE NOTEHOLDERS OF

**The Long-Term Credit Bank of Japan, Limited**

**U.S. $200,000,000**

**1¾% Convertible Bonds due 2002**

(the "Bonds")

(Issue Date: 31st July, 1987 ISIN Code: GB0045323275)

Pursuant to sub-condition (B) of "Redemption and Purchase" of the terms and conditions of the Bonds, notice is hereby given that The Long-Term Credit Bank of Japan, Limited has elected to redeem the Bonds as follows:

Date of redemption: 14th January, 1999

Redemption price: 100% of the principal amount

Interest accrued to the date of redemption will be payable upon redemption.

LTCB Trust Company
Principal Paying Agent
for and on behalf of
The Long-Term Credit Bank of Japan, Limited

18th November, 1998

**Standard Chartered**

**Standard Chartered PLC**

(incorporated with limited liability in England)

**US $300,000,000**

**Undated Primary Capital Floating Rate Notes (Series 2)**

In accordance with the provisions of the Notes, notice is hereby given that for the six months period (181 days) from 18th November, 1998 to 18th May, 1999 the Notes will carry interest at the rate of 5.50 per cent. per annum.

The interest payment date will be 18th May, 1999. Payment, which will amount to US $276.53 per US $10,000 Note and US $1,382.64 per US $50,000 Note, will be made against surrender of Coupon No. 26.

West Merchant Bank Limited
Agent Bank

**J.P. Morgan & Co. Incorporated**

US$200,000,000

Subordinated floating rate notes due August 2002

In accordance with the provisions of the notes, notice is hereby given that for the interest period 18 November 1998 to 18 February 1999 the notes will carry an interest rate of 5.28188% per annum. Interest payable on the relevant interest payment date 18 February 1999 will amount to US$47.49 per US$5,000 note.

Global Agency and Trust Services, Citibank, N.A., London

18 November 1998

CITIBANK

هكذا من الأصل

**CONSTRUCTION** GROUP HIT BY PROBLEMS WITH AFFILIATES, PROPERTY APPRAISAL LOSSES AND BAD LOANS

# Fujita warns of Y150bn shake-up charge

By Gillian Tett in Tokyo

Fujita, one of Japan's second-tier construction companies, yesterday warned that it would take a Y150bn ($1.25bn) special charge this year to restructure its troubled affiliates.

The move highlights the scale of problems at the group, whose market capitalisation is Y41bn at yesterday's closing share price of Y84. It is already considered to have "junk" bond status by Moody's, the US rating agency.

However, Fujita said that it was restructuring with the help of its two main banks, Sakura and Tokai. The two banks, which have extended huge loans to the group, indicated they were preparing to forgive debt and extend more loans.

About Y105bn of its special charge has been incurred because the group was supporting affiliates, such as Towa Real Estate Development, in which it has a majority stake, Fujita said.

The other elements in the extraordinary loss came from Y41bn of appraisal losses on its property holdings and a Y4bn loss on bad loans. For the year as a whole, the company expects to report a parent net loss of Y130bn, its first since 1961.

In the first half, net losses were Y60bn, compared with a net profit of Y794m in the same period last year.

Fujita's situation has attracted attention recently because analysts suspect it is reflected in many other medium-sized construction groups hit by the collapse of property prices since the 1980s bubble. Although Japan's largest construction companies are believed to be in a stronger position, several also reported losses yesterday due to restructuring efforts and falling revenues.

Kajima warned of an extraordinary consolidated net loss of Y190bn in fiscal 1998. It reported an unconsolidated first-half net loss of Y27.17bn and recurring profit of Y2.36bn, compared with a Y4.42bn net profit, and Y8.26bn recurring profits in the same period in 1997.

"The harsh conditions remain the same," Kajima said, adding that private investment had fallen sharply, while public spending projects had suffered because of a cash squeeze in local governments.

Shimizu said it would report a full-year net loss of Y130bn following a Y152bn unconsolidated net loss and Y16.4bn recurring profit in the first half. Last time it had interim net profits of Y2.91bn and Y13.5bn recurring profit.

Obayashi, by contrast, forecast a consolidated net profit of Y7.5bn for the year, well below its earlier forecast of Y12bn. Its parent net profit fell 75 per cent to Y1.02bn in the first half.

# Sekiyu set for interim loss

By Alexandra Harney in Tokyo

General Sekiyu, the Japanese petrol group affiliated with Esso of the US, is to post its first interim loss for more than 10 years amid deterioration in the country's petrol market.

Yesterday's announcement means that four of the big seven oil groups will be in the red this year, according to Deutsche Bank in Tokyo.

The others are Mitsubishi Oil, Japan Energy and Cosmo Oil, where adjustments for accounting changes will exclude depreciation costs.

General, which is 48.5 per cent owned by Esso Eastern, also cut its second-half forecasts after a worse-than-expected interim performance.

In the first half, the group said, it would record losses of Y3.2bn ($27m) before taxes and exceptionals on the parent level, on sales down 13 per cent at Y240bn. This compares with pre-tax profits of Y6.94bn last time. Net losses were expected to be Y3.5bn.

The group last reported an interim loss in 1985.

Analysts said the results, which were below the company's expectations, reflected sagging profitability across Japan's oil sector, where profits have collapsed as margins have narrowed to half their level of five years ago.

The margin decline has been driven by falling prices, overcrowding in the industry and oil importers' inability to lower their costs.

General's cost-cutting was more aggressive than those of other Japanese oil groups, but the underlying conditions in the market would make it difficult to return to the black in the next two years, said Lalita Gupta, industry analyst at Deutsche Bank. Without a recovery in margins and significant rationalisation, profits were likely to continue their downward slide, she said.

The group, which is changing its accounting schedule to close its books in December rather than March, revised its full-year forecast downward yesterday to pre-tax losses of Y5.4bn on sales of Y362bn. It had forecast profits of Y2.5bn.

The announcement came after the close of trading. Shares in the group gained Y1 to close at Y492, only slightly above the all-year low of Y430 in September.

# Optus makes strong debut in Australia

By Gwen Robinson in Sydney

The Australian stock market debut of Cable and Wireless Optus, Australia's second largest telecommunications group, exceeded expectations, ending yesterday at A$2.65 per share.

The closing price was up 4 cents from the listing price of A$2.61 and well above analysts' forecasts of A$2.50.

It represented a 43 per cent premium to the A$1.85 price offered to retail investors and 23 per cent above the final institutional price of A$2.15 in the A$2.44bn (US$1.56bn) initial public offering.

Optus, which is controlled by Cable and Wireless of the UK with a 52.8 per cent stake, ended the day with a market capitalisation of about A$9.2bn, putting it in the top 10 listed Australian companies.

The success of the float reflected strong interest from overseas institutions, which accounted for nearly two-thirds of the 375m shares offered to institutions ahead of the listing.

It also highlighted the profound shift in investor interest away from resources stocks, which traditionally dominated the Australian Stock Exchange, towards telecommunications and financial stocks, which have outshone other sectors and led the market's most successful IPOs in the past year.

The institutional offer for Optus was heavily over-subscribed, with US and European institutions the heaviest bidders.

Cable and Wireless, which subscribed to nearly half the shares issued or sold, made a nominal profit of about A$1.8bn, analysts said.

Since Optus was established in 1992, the UK company has invested about A$3bn, including a recent move to increase its stake from about 49 per cent to nearly 53 per cent.

Warburg Dillon Read and Merrill Lynch, joint global co-ordinators of the issue, were believed to have handled most of the day's trading volume of 305m shares.

Ring in the new: Chris Anderson, chief executive, celebrates the Optus listing Reuters

The Optus float took place on the first anniversary of the one-third privatisation of Telstra, Australia's largest telecommunications company and Optus's main rival. Since the successful partial listing, Telstra's share price has nearly doubled.

Optus's premium on Tuesday of 43 per cent outstripped Telstra's 37 per cent premium a year ago, but analysts believe the Optus share price lacks the same growth potential.

# Niche growth lifts Macquarie

By Gwen Robinson

Strong growth in niche areas of investment banking, particularly in Australia, the US and Europe, helped Macquarie Bank, the Australian investment bank and broker, to record profits in the six months to September.

Interim net profits rose 25 per cent to A$80.5m (US$52m), and the bank said yesterday that full-year profits would comfortably exceed last year's record of $141.2m.

The strong performance reflected Macquarie's innovative approach to international and domestic investment banking, which has seen it rival many US and European companies in Australia and grow a diverse range of businesses.

Macquarie has also seen strong growth in international structured finance and resources-related business, including metals trading and hedging services to gold producers.

The better-than-expected increase in interim profit was driven by strong performances in all six main divisions, combined with an absence of problem-loan exposure, or positions "of any material significance", according to Allan Moss, managing director.

Earnings per share rose from 40.7 cents to 48.1 cents, paying an increased dividend of 30 cents, against 21 cents last time.

It is also lifting its dividend payout from 55-60 per cent to 65-70 per cent of earnings to reflect the bank's strong capitalisation, Mr Moss said.

Macquarie has a capital adequacy of 18 per cent, compared with the 8 per cent regulatory minimum and a tier-1 ratio of 13.3 per cent.

Despite Asian economic turmoil, Macquarie plans to expand certain businesses in the region, particularly in North Asia, where it sees enhanced opportunities for recruitment and for increasing market share following the recent downturn.

"The fundamentals of North Asia we believe are still attractive over the medium term ... In South Asia and India there is also real potential," said Mr Moss.

He said the bank expected expansion of its equity and fund management division. The fund management service, with A$20.1bn, was in Australia's top 10, but not as strong in equities as in cash and fixed interest.

Macquarie Bank shares fell 8 cents to A$13.67 after surging briefly on the profit announcement.

## NEWS DIGEST

### TELECOMMUNICATIONS

## Telecom NZ profits flat as recession takes toll

Telecom New Zealand, the country's largest company, yesterday blamed intensifying price competition and a domestic recession for flat profits in the six months to September 30.

Interim after-tax earnings slipped 0.6 per cent to NZ$396.3m (US$213m), but in the second quarter earnings dropped 2.2 per cent to NZ$206.2m.

Roderick Deane, chief executive, said shrinking gross domestic product, political uncertainties and low consumer and business confidence had left the economy at its lowest ebb for decades. The result was satisfactory in a challenging environment, but fierce competition had ensured that a "huge" increase in traffic volumes had not kept pace with big price cuts made in the period.

Telecom has identified mobile phones, enhanced telephone services and the internet as growth areas.

In the half year, revenue was up 1.8 per cent to NZ$1.7bn, while operating expenses rose by 0.9 per cent to NZ$1bn. Earnings per share rose by 2.7 per cent to 22.6 NZ cents reflecting last year's share buy back.

Telecom is paying a second-quarter dividend of 11.5 NZ cents, a 9.5 per cent increase on the same period of last year. **Terry Hall, Wellington**

### ELECTRONICS

## Price competition hits Pioneer

Pioneer Electronic, a leading Japanese electronics manufacturer, yesterday blamed a combination of severe price competition and the economic slump in Asia for a 12 per cent fall in first-half consolidated pre-tax profit, from Y7.9bn to Y6.9bn ($57.6m). However, the weakness of the yen during the period helped lift net sales 6.2 per cent from Y267.9bn to Y284.4bn. Foreign-exchange gains also contributed to the 39.8 per cent surge in consolidated net profits, which reached Y2.9bn compared with Y2.1bn last year.

The company said it had benefited from an increase in patent income, as well as rising car electronics sales, including car navigation systems, which were up 13.5 per cent year-on-year. However, audio equipment sales fell 9.3 per cent owing to weak overseas demand.

Pioneer lowered its estimates for the full year, predicting pre-tax income of Y16bn, compared with Y24bn forecast in May. It also revised its net profit down from Y12bn to Y6.5bn, but left revenue unchanged at Y600bn. **Naoko Nakamae, Tokyo**

This Notice is important and requires the immediate attention of Bondholders. Bondholders who do not understand it or are in any doubt as to the action they should take should consult an independent financial adviser authorised under the Financial Services Act 1986 without delay.

**United News & Media plc**

**(the "Company")**

(Incorporated in England and Wales with limited liability under Registered Number 152298)

***£180,000,000***

**6¼ per cent. Subordinated Convertible Bonds due 2003**

**(the "Bonds")**

**convertible into fully paid ordinary shares of 25 pence each of the Company**

**("Shares")**

**Notice of adjustment to the Conversion Price of the Bonds**

Notice is hereby given to the holders of the Bonds (the "Bondholders") that:

(i) the Company's Notice to the Bondholders dated 2nd November, 1998 and published in the *Financial Times* on that date gave details of the proposed demerger of the money and securities broking and financial information businesses owned by the Company's wholly-owned subsidiary, Garban Group Holdings Limited, by means of the issue of new shares of a new holding company, Garban plc, to holders of Shares;

(ii) such demerger became unconditional, and therefore became effective, on 17th November, 1998; and

(iii) the demerger has resulted in an adjustment to the Conversion Price of the Bonds pursuant to the provisions of Clause 9.2.3 of the Trust Deed dated 3rd December, 1996 constituting the Bonds from 805 pence per Share to 755 pence per Share, such adjusted Conversion Price being effective on and from 17th November, 1998.

Dated 18th November, 1998
Issued by United News & Media plc

Issued by Morgan Stanley & Co. Limited, regulated by the Securities and Futures Authority Limited. Morgan Stanley Dean Witter is a service mark of Morgan Stanley Dean Witter & Co.

*Source: IFR Securities Data Co

You began this when Europe's economy was on an upswing, markets were strong, and almost any firm could handle a merger or acquisition with ease.

Still, you chose Europe's leading firm, just to be certain. You're glad you did.

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## COMPANIES & FINANCE: THE AMERICAS

**MERGERS** TRADING GETS UNDER WAY IN SHARES OF THE NEWLY-MERGED COMPANY

# DaimlerChrysler drives into Wall Street

By Nikki Tait in New York

Chaos on the narrow streets around the New York Stock Exchange rivalled the hubbub on the trading floor yesterday, as the DaimlerChrysler roadshow - heralding the stockmarket launch of the $75bn merged company - drove into town.

Traders and clerks battled their way past a mammoth truck cab, a helicopter and any number of sports cars, sports utility vehicles and tents.

Inside, Jurgen Schrempp and Bob Eaton, co-chairmen of DaimlerChrysler, which unites Germany's Daimler-Benz with Detroit's Chrysler in the world's biggest industrial merger, honked horns on two mocked-up vehicle front ends – an E-Class and a Jeep Cherokee – to start trading in the newly merged company's stock.

But DaimlerChrysler shares had a more muted reception, with the price slipping $\$1\frac{1}{16}$ to $\$83\frac{1}{16}$ during the morning session, in a generally cautious stockmarket. The slow start, however, came after some fairly strong gains over the past couple of days in the "when issued" market.

The two chairmen were also careful to sound a note of sober caution as they detailed the progress being made in uniting the two groups. "There is no blueprint for what we're trying to do," said Mr Eaton, adding that "there will be bumps along the road".

Mr Schrempp, asked to spell out the biggest challenges that had surfaced to date, stressed that one was to "beat statistics". An estimated 70 per cent of mergers fail to deliver the benefits promised, he said.

Still, both chairmen insisted the group was on track to achieve the predicted synergies – $1.4bn in 1999 and $3bn over the next few years – targets which many analysts think were set cautiously at the outset. Mr Eaton said that 14 teams were sorting through around 100 projects.

The executives also gave some further indications of where specific activities would be headquartered – including legal activities predominantly in Detroit, new fuel cell technology work in Stuttgart, electric vehicle development efforts in Michigan.

Mr Eaton said that work on the first budget for the combined company was due to be completed later this month or early next, and revealed that several "shadow" board meetings for the merged group had already been held.

Mr Eaton said he expected Steve Yokich, president of the United Auto Workers union in the US, to become the US workers' representative on the DaimlerChrysler supervisory board.

However, Mr Schrempp revealed that the thorny issue of how to deal with different pay levels in the two former companies had yet to be fully addressed. He said that agreement had been reached on the principle of low fixed income component and high variable incentive-related payments, but that no final details had been resolved.

# Staples in internet deal with Yahoo!

By Victoria Griffith in Boston

Staples, the office supplies chain based in Massachusetts, made a sweeping commitment to e-commerce yesterday by launching an internet shopping site and announcing a deal to become the exclusive office supplies site for Yahoo!, the internet search engine company.

The move will pit the top three office supply merchants in the US – Staples, with sales of $5bn last year; Office Depot, $6bn; and OfficeMax, $3bn – against each other in a battle for online market share.

The office supply superstores, which sell everything from fax paper to computers at very low prices, have experienced tremendous growth in recent years as the idea of the "home office" has taken off in the US.

Each of the big three dominates a distinct geographic area in the US: Staples is strongest in the north-east, Office Depot in the south-east, and OfficeMax in the west.

"The stores' presence online will destroy some of those geographic barriers," said Maria LaTour Cadison, an analyst for Forrester, the research group. "They will still have to invest in brand-building, but not in bricks and mortar to expand into competitors' areas."

While e-commerce will probably not contribute significantly to revenues for a few years, it will have a more immediate impact on the bottom line because online sales are higher margin than sales at stores, where overheads are greater.

Staples is the last of the big three office suppliers to move online.

According to the agreement, Yahoo! users will automatically be taken to the Staples site when the words "office supplies" are typed into the search engine.

Staples' share price rose 2.3 per cent by early afternoon trading yesterday.

Carl Icahn: insists that Philip Services transfer control AP

# Philip soothes lenders

By Scott Morrison in Toronto

Philip Services said it was willing to meet lenders to formulate a restructuring plan, after the US financier Carl Icahn threatened the Canadian waste services group with bankruptcy proceedings if management did not agree yesterday to transfer ownership and control to debt-holders.

Philip said it was working on a plan to restructure its US$1.06bn debt by December 15, but gave no immediate indication that it would agree to transfer ownership and control to lenders, as demanded on Monday by Mr Icahn and Foothills Partners, two of Philip's most prominent debt-holders.

A Philip official said the board was due to meet yesterday to devise a more detailed response to Mr Icahn's demands.

"Management is implementing cash-conservation, cost-reduction and cash-generation initiatives to increase profitability and cash flow from the business. The continued support and participation of the company's lenders for these efforts is the best assurance for securing value," said Jack McGregor, Philip chief executive, in the company's first response to Mr Icahn's letter.

Mr Icahn and Foothills informed the company that they saw "no alternative but to launch insolvency proceedings to protect our interests" after Philip said on Friday it would not meet its debt obligations.

The lenders said Philip's third-quarter results confirmed that asset values were rapidly deteriorating and that the company was using its cash in a manner adverse to the interests of shareholders.

Philip reported a third-quarter net loss of US$645m and said it would unilaterally suspend all payments on its debt, prompting a quick reaction from Mr Icahn, a corporate raider who specialises in gaining control of distressed companies in order to dismantle them.

Mr Icahn leads a group of investors that holds about 14 per cent of Philip stock, acquired as the group's share price has tumbled in recent months. Mr Icahn is also one of about 40 Philip debt-holders. A Philip official said yesterday that Mr Icahn and Foothills were the only Philip debt-holders not supportive of the company's efforts to restructure.

Philip, one of North America's largest industrial waste recyclers, with 1997 revenue of US$1.75bn, has seen its share price tumble from C$27.90 last year to 37 cents at mid-session yesterday. The company has in the past year been beset by copper trading losses, accounting inaccuracies, falling metal prices, debt obligations and lawsuits by angry investors.

# Canadian banks in move to boost merger

By Edward Alden in Toronto

The Royal Bank and Bank of Montreal, the Canadian banks proposing to merge, yesterday launched a new public relations drive to turn round what has been an unsuccessful campaign to persuade both the federal government and the public of the benefits of the merger.

The banks unveiled new pledges to add customer-service staff and cut personal-banking fees by at least 10 per cent. They also reiterated commitments to increase the number of staffed outlets by 20 per cent, double lending to small and medium-sized businesses within five years, and maintain branch services in all small-town and rural locations.

They said they would sign these commitments as binding pledges if the government approved the merger.

Two other banks, the Canadian Imperial Bank of Commerce and the Toronto-Dominion Bank, have also announced plans to merge, but have not made specific commitments, waiting until the government completes its review before making any firm pledges.

Analysts have predicted only modest gains to shareholders if the mergers are approved because the costs of expanding banking services for small and retail customers will reduce the expected merger savings.

But John Cleghorn, chief executive of Royal Bank, and Matthew Barrett, chief executive of the Bank of Montreal, said the merger savings would be about C$1bn a year, "most of which can be invested in paying for the better and higher levels of service Canadians tell us they want". The banks have not said what the commitments would cost to implement.

The pledges would not, however, require the banks to retain expensive and redundant branch capacity. The promise to increase outlets could be fulfilled through setting up small face-to-face banking operations in supermarkets or post offices.

The proposed mergers, which must be approved by Paul Martin, Canada's finance minister, are facing strong opposition from the governing Liberal party. Earlier this month a Liberal caucus task-force urged Mr Martin to reject the mergers, saying the banks had failed to demonstrate that the plans would benefit Canadian consumers.

The mergers also face a review by Canadian competition authorities, which is expected to find that excessive concentration will be created in several areas, including credit cards and investment banking.

# Cemex plans for control of Rizal

By Henry Tricks in Mexico City

Cemex, the Mexican cement group, expects to raise its stake in Rizal Cement of the Philippines to a controlling one as part of a $600m investment strategy in Asia and Latin America, company officials said.

Cemex, which has operations in three continents, is the world's third largest cement company.

Lorenzo Zambrano, chairman of Cemex, told the Financial Times he was in talks with Rizal to raise the stake above its 30 per cent level, and he expected to pay an amount similar to the $90m Cemex paid for the initial stake last year.

He confirmed that Cemex was in talks with TPI Polene, a cement subsidiary of Thailand's cash-strapped Thai Petrochemical Industry, which recently announced plans to sell a 25 per cent stake. He also expressed interest in the fragmented Brazilian cement industry, but said prices were too high.

To finance its expansion plans, Cemex was expected this week to receive some $260m from the sale by its Spanish subsidiary, Valenciana de Cementos, of Alcalá de Guadaira. The Mexican company had also planned to sell its local hotels for an amount estimated at $125m, but the deal fell through last month, officials said.

The company expects asset sales to accrue $450m within the next year, which, added to an expected $800m in free cash flow, gives it some $1.25bn for its combined strategy of buying companies and paying down debt, Mr Zambrano said.

He said Cemex planned to reduce debt by $400m in its existing operations, and had pledged to raise its interest coverage ratio progressively next year and in 2000.

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**ENGINEERING** FINNISH GROUPS TO COMBINE

# Rauma and Valmet announce merger

By Tim Burt in Stockholm

Rauma and Valmet, two leading Finnish engineering groups, yesterday announced a merger to create one of the world's largest producers of forestry equipment and papermaking machinery.

The companies said the enlarged group, to be called Valmet-Rauma, would have a combined market capitalisation of almost FM7bn ($1.4bn) and joint sales of FM23bn. The group's pro-forma operating profit for 1997 was FM1.7bn.

The merger follows a sharp downturn in orders from pulp and paper producers, particularly in the emerging markets of south-east Asia, where many companies are cutting capacity or delaying new machine purchases.

That has contributed to sharply reduced profits at both companies in recent months. In the first nine months of the year, operating profits at Valmet fell from FM544m to FM443m.

In the third quarter, Rauma profits fell from FM167m to FM139m. By combining their operations, the two groups said they could achieve annual synergy benefits of FM400m a year from 2001 – achieved mainly by pooling aftermarket, sales and distribution activities. "The new company will cover all areas of the treatment of wood-based fibres from forest machinery to finishing and converting machinery," said Heikki Hakala, Rauma chief executive and president-designate of the new company.

Rauma will contribute logging machinery and pulp mill equipment, while Valmet is dominant in paper making machinery.

Although the overlap is minimal, the two companies hope to achieve synergies by exploiting rising demand for plant automation, involving digital control systems for paper mills.

Rauma officials said savings would also be realised by combining their head offices and maintenance and spares businesses.

Both sides, however, said they had no imminent plans to dispose of non core businesses – namely Rauma's rock-crushing division and Valmet's automotive operations, which assemble Saab convertible cars and Porsche Boxsters.

Nevertheless industry analysts predicted that those businesses could be divested in the medium term. Svedala of Sweden was named as a possible bidder for the rock crushing business, while Saab could takeover the car assembly operations.

The merger was welcomed, meanwhile, by UPM-Kymmene, Rauma's largest shareholder.

Under the terms of the merger, UPM-Kymmene's stake in the combined group will be 14.7 per cent, compared with its 34.5 per cent stake in Rauma. The Finnish government, Valmet's largest shareholder, will control 11.6 per cent of the new company.

Valmet shareholders will receive 57.5 per cent of the enlarged company, and Rauma investors 42.5 per cent.

# Nintendo prospers from weak yen

By Naoko Nakamae in Tokyo

The weakness of the yen boosted first-half results at Nintendo, the Japanese video game manufacturer. Despite a 1.4 per cent fall in parent sales, pre-tax profits excluding exceptionals rose 28.5 per cent from Y49bn to Y63bn ($516m). Net profits rose 28.1 per cent to Y31.6bn.

The makers of the popular Pocket Monster Gameboy said that the main reason behind the profits growth was a Y8.9bn currency gain, compared to a Y6.5bn loss last year.

It blamed the drop in sales on price cuts on its hardware platform, N64, prompted by intensified competition with Sony's PlayStation.

Nintendo lowered its estimate for the full year, predicting net profits of Y74bn, compared with its previous forecast of Y80bn. It also reduced its pre-tax profits excluding exceptionals forecast from Y140bn to Y129bn, and its net sales from Y480bn to Y460bn.

Concerns surround the group's software strategy, which favours quality over quantity, and increased competition from Sega, which is scheduled to release its new 128-bit Dreamcast machine on November 27.

Fast mover: US retailers have stopped taking advance orders for the new home video game, Legend of Zelda

But the company said yesterday that Game Boy Colour, a portable machine with a colour liquid screen, which was released in Japan last month, was so popular that it was struggling to keep up with demand.

Furthermore, *Legend of Zelda*, made exclusively for Nintendo's home video game system, looks like becoming a huge hit. The interactive video game will be launched in Japan on November 21, and in the US a couple of days later.

The number of advance orders for the product have already exceeded 325,000 in the US, where it has stopped accepting reservations.

But Nintendo still faces stiff challenges. After a two and a half year delay, which has damaged the group's relationship with some software developers, the launch of its next generation machine N64DD is scheduled for June 1999. Nintendo is also vulnerable to yen appreciation and its reliance on its games consoles and software businesses in an increasingly competitive industry.

# Lufthansa sees slow-down in high earnings

By Tony Barber in Frankfurt

Lufthansa, the German airline, warned yesterday that deteriorating business conditions might prevent it from increasing earnings next year, after a 1998 performance that is likely to underline its position as one of Europe's most profitable airlines.

Jürgen Weber, Lufthansa's chairman, predicted that the group would achieve record pre-tax profits this year of more than DM2bn ($1.2bn).

Profits in the nine months to September 30 had reached DM1.6bn, with another DM377m to come from the disposal of the group's stake in Hapag-Lloyd, the transport and tourism company.

However, Lufthansa cautioned that it was anticipating lower average yields in all its markets next year, so further profit increases could not be assumed for 1999.

"I can say that the weather radar is not showing the clear blue skies of 1997, with the prospect of [the situation] staying that way well into the next millennium," Mr Weber said.

Karl-Ludwig Kley, Lufthansa's chief financial officer, said the group's passenger loadings had risen to a record 73.4 per cent in the first nine months of 1998. In September, it touched an all-time high of more than 78 per cent.

Mr Weber described Lufthansa's remarkable turnaround in the 1990s as a progression along a "thorny road of transformation from the bankruptcy candidate of 1991 to the profitable private enterprise of today".

The airline, which has been helped by a 14.8 per cent drop in fuel costs so far this year, has also introduced successful cost-cutting measures, reducing personnel expenses in the first nine months by 2.8 per cent.

The airline has recently experienced a decline in its freight turnover, caused by deteriorating world trade, but it has continued to expand its passenger business. Passenger sales rose by 5.2 per cent from January to September to DM11.5bn.

Mr Weber forecast that Lufthansa's link-up with five other airlines in the so-called Star Alliance would contribute more than DM400m to 1998 earnings.

# State Bank launches Visa card

By Krishna Guha in Bombay

State Bank of India, the nation's largest, fired the latest shot in the country's credit car wars yesterday by launching a Visa card with GE Capital, the financial services arm of General Electric of the US.

The two groups, which formed a credit card joint venture in January, said they aimed to win a 30 per cent share of India's booming credit card market.

"State Bank's branch network and the renowned technological processing capability of GE Capital . . . will pave the way for a plastic revolution in this country," said M. P. Radhakrishnan, managing director of State Bank.

The partners estimate the number of credit card-holders in India will grow from 1.7m in 1996 to 6m by 2000, with spending rising from Rs35bn ($US826m) in 1996 to Rs140bn ($US3.3bn) – a compound growth rate of about 40 per cent.

State Bank and GE Capital will target middle-class Indians who have never owned a credit card before, rather than fight for the small number of big spenders in the main cities.

The income requirement for the new SBI Card is less than $2,000, and the basic credit limit Rs15,000.

The card will be managed by two joint venture companies. State Bank holds a majority stake in the issuing company, while GE Capital owns a majority stake in the processing company.

# Daimaru in Y30bn charge

By Alexandra Harney in Tokyo

Daimaru, the troubled Japanese department store chain, will take a Y30bn ($250m) extraordinary charge this term as a result of rigorous restructuring efforts including staff cuts and store closings.

The move highlights the pinch Japanese retailers are feeling as consumers, facing shrinking bonuses and salaries, curtail their spending.

Most of the charge covers a larger-than-expected outlay of retirement allowances. Daimaru said that it would take a Y16bn charge to cover early retirement plans, and Y14bn from expenses related to closures of three stores.

Nearly 750 employees had signed up for a voluntary early retirement programme - far exceeding the 300 workers it had expected, it said.

The group announced earlier this year that it would close stores in Paris, Thailand and Hong Kong, in an effort to improve profits.

In the first half, Daimaru suffered a 72.5 per cent fall in pre-tax profits, from Y1.7bn to Y475m. Sales fell 8.4 per cent to Y333.83bn. The group expects earnings of Y3.3bn in the year ending next February, on sales of Y471bn.

The group said it had no plans to join other Japanese retail chains' effort to bring customers back to the store by cutting prices 5 per cent as it was already offering a better bargain to its customers. Daimaru, gives a 7 per cent discount to customers who join its shopping club.

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**PRINTING** NEW CHIEF DESCRIBES RESULTS AS 'HORRIBLE AND COMPLETELY UNACCEPTABLE' AND TAKES CHARGE OF CASH SYSTEMS ARM

# De La Rue suffers sharp interim decline

By Virginia Marsh

Ian Much, the recently appointed chief executive of De La Rue, the banknotes, cards and cash business, yesterday described the group's results as "horrible and completely unacceptable" and promised a shake-up of its most troubled division.

Mr Much, who joined the group in September, said he would present his plans for the lossmaking cash systems division in the first quarter of next year after conducting a thorough review of the business.

The division unexpectedly moved into the red in the first half, contributing to a sharp downturn in the group's interim pre-tax profits from £42.3m to £7.8m ($13m) on sales down 2.2 per cent at £370m in the six months to September 30.

The poor performance of cash systems – the products of which range from coin counting machines to parts for automatic teller machines – caused several analysts to downgrade full-year forecasts. Merrill Lynch cut its forecast from £55m to £46m ($87.2m).

Analysts welcomed Mr Much's frank analysis of De La Rue's problems, but said it underlined the considerable difficulties faced by the once highly-rated group.

Some said that, if profits and cash flow did not recover in the second half, the group – which halved its dividend last year – might have to consider cutting its pay-out again. The shares, which yesterday rose 1½p to 177½p, have fallen from more than 900p three years ago before a series of profits warnings and management changes.

Mr Much said the cash systems business had invested heavily in new products and run up considerable overheads to support their roll-out, but had been caught out by delays in the timetable and, more recently, by the economic downturn in emerging markets.

Mr Much, who has taken direct control of cash systems after orchestrating the departure of its chief executive last month, said De La Rue had to increase its market and customer focus after becoming "too inward-looking".

It also had to adopt a value and cash flow mentality rather than being focused on volume. This approach was already beginning to produce results in the security paper and print division.

# Garban makes poor debut

By Charles Pretzlik

Shares in Garban made a disappointing market debut yesterday, following the demerger of the money and securities broker from United News & Media, the publishing group whose titles include The Express.

The stock closed at 217p after dropping briefly just below 200p. Last week analysts said they expected the stock to be valued at up to 400p. Even the most pessimistic analysts had forecast a debut of just below 300p. Garban's maiden day's trading was marred by fears about market turmoil and a US sexual harassment lawsuit.

The New York state attorney general is claiming about $32m (£13m) against two of Garban's Wall Street companies and another sexual harassment claim is subject to arbitration.

Garban has said it was confident that any liability will be covered by insurance and that the balance sheet will be protected. Some analysts also said Garban's shares suffered from the fact that investors in United received shares in a financial services company they did expect to own.

United unveiled its plans to demerge Garban in July. Its aim was to concentrate on its media businesses, which include television interests as well as newspapers. United acquired Garban as a result of its merger with MAI two years ago but analysts said its shares had held back the business.

Garban warned in its listing document that profits in the first half had been hit by lower levels of trading activity in its Asian foreign exchange business, while its North American operations were performing in line with expectations. Garban's broker is Merrill Lynch and its financial adviser Dresdner Kleinwort Benson.

# BOC close to sale of two gas assets

By Virginia Marsh

BOC, the industrial gases group, is close to selling its Benelux and German gas assets, as part of the wide-ranging reorganisation it announced in the summer.

Danny Rosenkranz, chief executive, said yesterday that interest in the businesses had been stronger than expected and he hoped to be able to announce a deal by early next year.

Analysts expect the businesses, which have annual sales of about £60m ($97m), to fetch £100m-£120m. However, the group, which is also withdrawing from some distribution activities, is having to close some sites after failing to find buyers for all of them.

The group expects the disposals to raise enough to cover the £120m cash element of its reorganisation, for which it said yesterday it was taking an exceptional charge of £293m.

Excluding exceptionals – which also included a £144m net gain on the sale of BOC's healthcare business – pre-tax profits fell to £396m (£445m) on sales down more than 10 per cent at £3.55bn (£3.96bn) in the year to September 30.

However, the results were slightly ahead of expectations and analysts said they were encouraged by the improvement in margins in the core gas business.

"The group has shown its resilience and robustness in what was a very tough year," Mr Rosenkranz said.

Within the UK chemicals sector, the group is one of the most exposed to Asia. Operating profits from Asia/Pacific fell 19 per cent to £125m on sales down 16 per cent at £907m and the group said it had decided to make further job cuts in the region.

This pushed up the fourth quarter exceptional charge from the £100m signalled in August, to £125m. The rest of the restructuring charge was taken in the third quarter.

Mr Rosenkranz said the outlook for the world economy, and the group's markets, remained uncertain: "It's hard to say whether things will get worse or better. But it would be foolhardy for anyone to think they might get out of jail because of [an improvement in] the economy."

He said restructuring, which will involve cutting a tenth of the workforce, was on schedule, but the company had yet to decide whether it would return capital to shareholders or maintain its strong balance sheet to fund acquisitions. "We'll review the situation again after April when the tax situation is clarified."

# Northern hit by weather

By Alison Smith

A later start to the Christmas programme, a bad summer and weaker consumer confidence all helped to hold back sales growth in the second quarter, Northern Foods said yesterday.

Announcing a drop of 4.3 per cent in pre-tax profit for the half year to September 30 to £40.2m ($68m) on sales of £610.6m (£534.7m), the company said underlying sales growth might be hard to achieve for the rest of the year. But it still expected a "satisfactory" Christmas.

Jo Stewart, chief executive, said that although retailers were wanting longer-life Christmas products, such as puddings, "our order book gives us some confidence".

He said the company's capital spending programme, which was £70.4m greater than its depreciation charge in the 18 months to end-September this year, had led to short-term inefficiencies.

Northern has felt the impact of the difficulties at Marks and Spencer, which accounts for 30 per cent of its sales. Though sales to its top five retailers (amounting to 60 per cent of total turnover) rose 4 per cent, sales to M&S rose by only 2 per cent over the half-year.

Jo Stewart, left, and Sean Christie, finance director

# Skyepharma in Novartis deal

By Charles Pretzlik

Novartis, the world's third largest pharmaceuticals group, has taken a 2 per cent stake in Skyepharma, the drug delivery company.

Under yesterday's deal, Swiss-based Novartis will make a £6m ($10m) equity investment in Skyepharma in return for access to Skyepharma's dry powder inhaler which will be used to deliver its Foradil asthma drug.

The news sent Skyepharma's shares up 15 per cent to 82½p.

Ian Gowrie-Smith, chairman and chief executive, said: "Having Novartis choose us as their collaborative partner is a significant validation of our capabilities in dry power inhaler formulation and device design."

The shares were also boosted by news that the US Food and Drug Administration advisory panel has recommended approval of DepoCyt, a treatment for meningitis arising from leukaemia.

DepoCyt was developed by DepoTech, a US company which Skyepharma is in the process of taking over for an initial $30.6m.

Analysts estimate that DepoCyt, which is delivered by injection, could generate about £8m a year in profit for Skyepharma.

Kevin Wilson, an analyst at Salomon Smith Barney, expects DepoCyt to be launched in the middle of next year.

Analysts estimated that the deal with Novartis could generate some $30m in annual revenues and $5m in annual profits in the US. Worldwide revenues could top $50m, analysts estimated.

However, Skyepharma does not expect the inhaler and Foradil to be available together until about 2002 because it has yet to be approved by the FDA.

Skyepharma will receive a royalty payment of over 10 per cent on sales using its delivery device and it will also earn a margin from mixing Novartis' Foradil powder and manufacturing the finished product.

Skyepharma will make the drug at its facility in Lyon, in France.

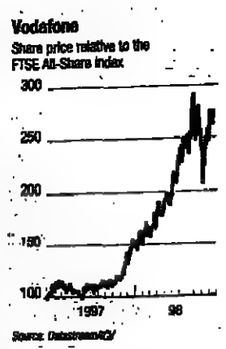
Mr Gowrie-Smith said he did not expect Novartis to raise its stake. The company paid 70p for the 8.63m new Skyepharma shares it bought.

Mr Wilson said: "Following on the heels of the DepoTech acquisition and DepoCyt recommendation for approval, this dry powder inhaler deal validates the company's inhaled drug delivery technology and signals a significant shift in the company's profile."

## COMMENT

# Vodafone

Vodafone's interim results show two of its strategies bearing handsome fruit. The first was the slashing of prices at home. When announced last year, the stock market worried that profits would be savaged. In fact, lower prices (not just from Vodafone) have kicked life into the market. Some 20 per cent of the population will have a mobile phone by the end of this year; given the current growth rate, the proportion could be half in three years. Moreover, price cuts have spurred on usage – so much so that average revenues per customer have barely dropped.




The second winning strategy is Vodafone's international expansion. Previously lossmaking operations are rapidly swinging into profit – generating £153m in the half-year, compared with £43m the previous year. The imminent flotation of Panafon has rammed home this value: Vodafone's majority stake in the Greek operator is worth about $2.5bn.

The snag is that all this is in the share price. At 47 times this year's earnings, Vodafone needs to increase earnings not just by the 30 per cent consensus for this year, but by 20-plus per cent in each of the next six. That will be hard. To justify the current share price – let alone a higher one – the company will need to pull another rabbit from the hat.

### UK pensions

Frank Field, former welfare minister, has acquired a saintly reputation as the turbulent priest of UK pensions planning. But admiration for his principled stand should not spill over into agreeing with him on compulsory saving. If taxes need to be raised to provide a "safety net" income for pensioners, the government should say so.

Otherwise, extra provision should be a matter of individual responsibility, with the carrot of tax breaks for savings and the stick of a miserly level of state provision. That should provide a sufficiently positive background for the pensions industry to peddle its products – appropriate ones one hopes.

The reality is that most people have several options for funding their old age. They might work longer. They might turn their one big savings asset – their home – into income. Others – the worst off – simply do not have the spare cash to divert from present to future consumption. The government should stick with its safety net role.

# Energis tunes in to data demand

By Alan Cane

Energis, the telecommunications operator in which the National Grid has a majority stake, saw losses halved and margins improved in its first half as demand for advanced data services from business customers grew sharply.

The shares rose 11p to 870p as the market absorbed the implications of new customer accounts, including DHL, Renault and Whitbread, and the success of Freeserve, Dixons' internet service provided in conjunction with Energis and its Planet Online subsidiary.

Mike Grabiner, chief executive, said the results indicated the company was accelerating in a strongly growing market.

Turnover grew 75 per cent to £121.7m ($204m) in the half year to September 30. Earnings before interest, tax, depreciation and amortisation were £19.4m (£2.1m), while the loss before tax was cut from £39.2m to £16.1m.

Mr Grabiner said that revenues from advanced services, including frame relay, virtual private networks and other forms of data transmission, more than doubled to £56.4m.

He said Dixons, which has attracted some 475,000 customers for its Freeserve offering in eight weeks, had changed the way the UK internet market operated.

Mr Grabiner said Energis could be interested in bidding for a licence for third generation mobile phone services, due to be auctioned next summer, but as a member of a consortium.

It was also looking at ways of connecting directly to customers including wireless, which could lead it, in the long term, to seek residential customers for the first time.

# Haemophilia drug lifts BTG revenues

By Thorold Barker

Growing royalties from Benefix, a safe treatment for haemophilia, helped BTG raise revenues from products launched since flotation by 32 per cent to £5m for the six months to September 30.

This helped the intellectual property manager, which floated in July 1995, limit the impact of a decline in revenues from more established products.

Turnover was £8.56m (£9m), including a one-off decline of £400,000 from the demerger of Torotrak, which is developing a vehicle transmission system. Pre-tax losses increased to £6.64m (£4.15m).

Ian Harvey, chief executive, said the decline was the result of a lack of investment in new inventions – which take about 10-15 years to come to market – in the 1970s. This had been rectified in the 1980s meaning that more new products were now coming to market.

In light of good progress with products already in development and a pipeline of new inventions, he said the company was on track to achieve its target of £140m ($235m) in annual revenues by 2006. Turnover was £19.8m in the year to March.

A product to improve the storage capacity of memory chips and a treatment for varicose veins might come to market in the next few years.

# FirstGroup prepares for recession in UK

By Jonathan Ford

FirstGroup yesterday reassured investors it was preparing to cope with the consequences of a recession on its bus and train operations should the UK economy turn down next year.

Moir Lockhead, chief executive, said the impact was "likely to fall on off-peak leisure or shopping travel rather than on commuter traffic".

FirstGroup estimates that about 40 per cent of its bus and rail business is leisure or shopping related. It believes the bus business, accounting for 47 per cent of sales, is resilient because schedules and pricing can be changed to meet demand. Mr Lockhead said the rail business was more exposed, because capacity was relatively fixed and schedules took longer to change. However, he said revenues from government subsidies would soften the blow.

He said a recession could benefit FirstGroup because acquisitions in the UK would again be possible at reasonable prices.

The group also announced that pre-tax profits rose 27 per cent to £38.1m in the six months to September 30. Turnover leapt 83 per cent to £690.3m, helped by a first contribution from Great Western Holdings, the train operator bought in March for £140m.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Dividends Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Banner House | 6 mths to Sept 30 | 23.7 | (22.6) | 3.96♠ | (4.26) | 17.9 | (20.0) | 1 | Jan 5 | 1 | - | 3 |
| BOC | Yr to Sept 30 | 3,550 | (3,964) | 247.2♠ | (445.2) | 24.66 | (59.31) | 16.5# | Apr 7 | 15.5 | - | 30.9 |
| BTG | 6 mths to Sept 30 | 8.56 | (9) | 6.64L♠ | (4.15L) | 7.3L | (4.65L) | - | - | - | - | 0.924 |
| Cirqual | Yr to Sept 6 | 48.9 | (52) | 10.7 | (6.73) | 26.17† | (19.06) | 6.37 | Jan 21 | 6.25 | 10.47 | 9.52 |
| De La Rue | 6 mths to Sept 30★ | 370.2 | (378.4) | 7.8♠ | (42.3♠) | 2.6 | (14.1) | 4 | Apr 6 | 7.5 | - | 12 |
| Energis | 6 mths to Sept 30 | 121.7 | (69.2) | 16.1L | (39.8L) | 11L§ | (16L) | | | | | |
| Enterprise Inns | Yr to Sept 30 | 80.8 | (60.3) | 19.2♠ | (12.7♠) | 22.7† | (18.2) | 5.5 | Jan 25 | 5 | 8.4 | 7.5 |
| FirstGroup | 6 mths to Sept 30 | 691.5 | (376.6) | 38.1♠ | (30♠) | 7.9† | (7.3) | 2.5 | Feb 17 | 2.2 | - | 6.5 |
| Gill Tasman | 6 mths to Sept 30 | 2.98 | (3.06) | 1.23♠ | (1.31) | 2.6 | (2.8) | - | - | - | - | 1.5 |
| Great Portland | 6 mths to Sept 30 | 55.9■ | (52■) | 28.4♥ | (15.4♥) | 5.7 | (3.3) | 3 | Jan 6 | 2.8 | - | 9 |
| Helical Bar | 6 mths to Sept 30 | 60.2 | (61) | 8.24 | (6.62) | 25.2† | (18.7) | 4 | Dec 30 | 3.5 | - | 9 |
| HIT | 6 mths to Sept 30 | 27.6□ | (17.7□) | 1.91 | (1.23) | 5.6† | (6.3) | 1 | Feb 10 | - | - | - |
| Investment Co | 6 mths to Sept 30 | - | (-) | 0.763 | (0.59) | 5.23 | (1.76) | 2 | Feb 1 | 1.5 | - | 4.5 |
| Mansfield Brewery | 6 mths to Sept 26 | 69.5 | (68.1) | 11.1 | (11.5) | 12.39 | (12.86) | 2.5 | Dec 17 | 2.35 | - | 8 |
| Merchant Retail | 6 mths to Sept 26 | 30.4 | (26.5) | 0.259 | (0.167L) | 0.27† | (0.23L) | 0.15 | Jan 1 | 0.1 | - | 0.6 |
| Northern Foods | 6 mths to Sept 30★ | 610.6 | (534.7) | 40.2 | (42) | 5.18 | (5.55) | 2.8 | Apr 6 | 2.6 | - | 8.4 |
| P'mouth & Sand | 6 mths to Sept 30 | 101 | (97) | 9.57♥ | (8.91♠) | 58.3 | (34) | 5.97 | Dec 29 | 4.78 | - | 18.1 |
| Quintain Estates | 6 mths to Sept 30 | 17.9 | (10.9) | 4.65 | (5.25) | 4† | (5.2) | 1.5 | Dec 11 | 1.5 | - | 4 |
| Rebus | 6 mths to Sept 30 | 48.2 | (40.7) | 3.88 | (2.94) | 2.73 | (1.96) | 0.77 | Jan 29 | 0.7 | - | 2.1 |
| TEI | 6 mths to Sept 30 | 23.9 | (25.2) | 0.143L♠ | (1.14) | 1.3L | (4.1) | 1.2 | Jan 7 | 1.2 | - | 3.65 |
| Tomi | 6 mths to Sept 30 | 17 | (2.88) | 0.127♠ | (1.17L) | 0.22† | (4.15L) | - | - | - | - | - |
| Superdrug ✠Φ | 6 mths to Sept 30 | 0.542 | (0.417) | 0.012 | (0.014) | 0.3† | (0.4) | - | - | - | - | - |
| Vodafone | 6 mths to Sept 30★ | 1,583 | (1,164) | 476.9 | (297.5♠) | 10.8 | (6.23) | 3.12 | Feb 12 | 2.71 | - | 5.53 |
| Vosper Thornycroft | 6 mths to Sept 30 | 100.2 | (95.9) | 14.8 | (13.8♠) | 30.5 | (28.3) | 9 | Jan 13 | 8.25 | - | 28.6 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| British Small VCT | 6 mths to Sept 30 | 98.8 | (93.7) | 0.302 | (0.13) | 1.93 | (1.71) | 1.75 | Dec 18 | 1.25 | - | 3 |
| Undervalued Assets | 6 mths to Sept 30 | 152.54 | (168.43) | 3.21 | (2.96) | 3.06 | (2.83) | - | - | - | - | 2.35 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. #First interim. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. §On reduced capital. □Gross fee income. ■Net rental income. ✠Irish currency. ΦAim stock.

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FINANCIAL TIMES
No FT, no comment.

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## EQUITIES

# Mergers distract from rate cuts

**EUROPEAN OVERVIEW**

By Khozem Merchant

The main European bourses were mostly unchanged as investors awaited the US Federal Reserve's decision on interest rates. The Fed's decision to cut two key rates came after European markets closed after a day when attention focused on company news and merger talks.

Separately, Credit Suisse First Boston announced the launch of its Focus List, comprising 28 core buys of UK and continental stocks. The listing is weighted heavily in technology and R&D stock. The bank identifies five trends likely to affect company earnings.

These included the advent of the new European currency, which could stimulate competition and corporate consolidation.

Typical of this trend was the confirmation yesterday that Alusuisse, the Swiss packaging and metals group, is in merger talks with Viag, the German conglomerate, which provided some of the biggest stock movements. Alusuisse shares rose Ecu 52 to Ecu 1,061.30, while Viag's price sunk Ecu 39 to Ecu 568.23.

In the same mode, Finnish timber machinery makers Valmet and Rauma yesterday announced a merger to create a one-stop shop for the paper industry with a combined market capitalisation of $1.6bn.

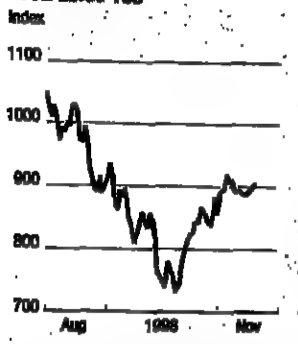
The FTSE Eurotop 300 index fell slightly by 4.12 points or 0.38 per cent to 1,089.08, while the more narrowly based FTSE Eurotop 100 index fell 3.52 points or 0.14 per cent to 2,519.38. The FTSE Ebloc 100 index of shares in countries in the first wave of monetary union took the heaviest knock, falling 6.14 points or 0.67 per cent at 903.32.

UBS, Europe's largest bank, recovered early losses after revealing that profits in the first nine months of this year fell 32 per cent. The bank's chairman resigned in October after it disclosed a £413m charge relating to the debacle at Long-Term Capital Management, the US hedge fund. UBS rose Ecu 1.10 to close at Ecu 237.83.

Germany's biggest drugs manufacturer, Hoechst, which has been linked with Rhône-Poulenc of France, saw its share price fall Ecu 7 to Ecu 39.12 after announcing an 87 per cent slump in profits in the third quarter. Hoechst kept its counsel on the merger speculation.

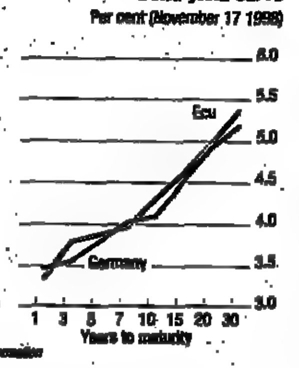
**FTSE Ebloc 100**

Index




**Bond yield curve**

Per cent (November 17 1998)




Source: FTSE International, Interactive Data/FT Information

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jan | | 96.500 | +0.160 | | | 0 | 8 |
| Mar | 96.560 | 96.560 | +0.030 | 96.580 | 96.560 | 27 | 8912 |
| Jun | 96.590 | 96.590 | +0.040 | 96.606 | 96.590 | 23 | 2282 |
| Sep | 96.590 | 96.585 | +0.040 | 96.590 | 96.590 | 7 | 1307 |

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

| Strike Price | Calls Dec | Calls Jan | Calls Feb | Calls Mar | Puts Dec | Puts Jan | Puts Feb | Puts Mar |
|---|---|---|---|---|---|---|---|---|
| 96500 | 0.025 | 0.140 | 0.165 | 0.180 | 0.175 | 0.080 | 0.105 | 0.120 |
| 96625 | 0.006 | | | | 0.280 | | | |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 2548.0 | 2533.0 | -5.0 | 2548.0 | 2533.0 | 114 | 7286 |
| Mar | | 2541.5 | -5.0 | | | 0 | 1080 |

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

| | 2400 C | 2400 P | 2425 C | 2425 P | 2450 C | 2450 P | 2475 C | 2475 P | 2500 C | 2500 P | 2525 C | 2525 P | 2550 C | 2550 P | 2575 C | 2575 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nov | 159 | 9 | 109 | 11 | 85 | 14 | 65 | 20 | 46 | 28 | 33 | 39 | 22 | 54 | 13 | 71 |
| Dec | 182 | 54 | 168 | 61 | 145 | 68 | 128 | 761 | 113 | 86 | 95 | 97 | 88 | 109 | 81 | 126 |

Est. vol total:600 . Prev day's open interest total: 4,946 . Premiums shown are based on settlement prices.

## OTHER INDICES

| | Nov 17 | Nov 16 | Oct 13 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DJ Stoxx 50 | 3028.94 | 3034.80 | 2975.61 | 3870.82 | 2433.07 | 3870.82 | 2433.07 |
| DJ Euro Stx 50 | 2982.07 | 3000.37 | 2924.97 | 3858.48 | 2419.23 | 3858.48 | 2419.23 |
| MSCI Europe | (u) | 1093.86 | 1082.64 | 1315.86 | 905.59 | 1315.86 | 810.78 |

Source: Datastream of FT Information. *Subject to revision next day. (u) unavailable.

## FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

| November 17 Industrial & Regional Markets | Ecu Index | Day's % | change points | Yield gross % | xd adj ytd | Total retn (Ecu) |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 1089.08 | -0.36 | -4.12 | 2.51 | 30.18 | 1126.44 |
| FTSE Eurotop 100 | 2519.38 | -0.14 | -3.52 | 2.53 | 37.95 | 902.34 |
| FTSE Ebloc 100 | 903.32 | -0.67 | -6.14 | 2.33 | 14.44 | 916.32 |
| FTSE EuroMid | 1079.78 | -0.35 | -3.79 | 3.03 | 8.15 | 1116.84 |
| FTSE EuroMid Ebloc | 1127.59 | -0.25 | -2.79 | 2.56 | 0.02 | 1150.95 |
| FTSE EuroMid Ex UK | 1119.55 | -0.32 | -3.58 | 2.47 | 0.02 | 1139.90 |
| **FTSE Eurotop 300 Regions** | | | | | | |
| Eurobloc | 1134.08 | -0.76 | -8.68 | 2.21 | 20.99 | 1157.67 |
| UK | 1022.21 | -0.01 | -0.14 | 2.99 | 49.38 | 1088.74 |
| Europe Ex-Eurobloc | 1053.93 | +0.03 | +0.34 | 2.84 | 38.23 | 1102.36 |
| Europe Ex-UK | 1128.01 | -0.56 | -6.32 | 2.25 | 19.47 | 1148.59 |
| **FTSE Eurotop Industry Sectors** | | | | | | |
| RESOURCES | 857.84 | -0.33 | -2.82 | 3.32 | 29.22 | 896.86 |
| Extractive Industries | 748.28 | -0.66 | -4.96 | 4.62 | 14.54 | 762.04 |
| Oil, Integrated | 829.86 | -0.31 | -2.60 | 3.27 | 21.73 | 849.96 |
| GENERAL INDUSTRIES | 983.27 | -0.77 | -7.58 | 2.78 | 20.31 | 1003.07 |
| Construction | 916.12 | -2.72 | -25.64 | 3.01 | 11.08 | 926.77 |
| Building Matls & Merchs | 875.49 | -0.47 | -4.18 | 2.55 | 6.98 | 883.05 |
| Chemicals | 830.65 | -1.21 | -10.18 | 2.90 | 17.48 | 845.32 |
| Diversified Industrials | 879.11 | -1.41 | -12.60 | 2.69 | 17.48 | 894.19 |
| Electronic & Elect Equip | 856.92 | -0.09 | -0.76 | 1.93 | 8.41 | 861.59 |
| Engineering | 812.83 | -0.80 | -6.53 | 4.04 | 11.89 | 822.73 |
| Paper, Pckg & Printing | 779.93 | +1.23 | +9.48 | 2.97 | 1.21 | 780.90 |
| CONSUMER GOODS | 1137.28 | +0.01 | +0.12 | 1.65 | 50.08 | 1202.72 |
| Automobiles | 810.87 | -1.09 | -8.91 | 2.81 | 10.25 | 818.19 |
| Alcoholic Beverages | 905.44 | -0.88 | -5.99 | 2.93 | 296.79 | 1350.34 |
| Food Producers | 864.10 | -0.25 | -2.39 | 1.58 | 11.84 | 875.43 |
| Household Goods & Texts | 951.75 | -0.89 | -8.47 | 2.03 | 7.89 | 958.73 |
| Healthcare | 867.23 | -2.08 | -18.86 | 1.32 | 13.81 | 900.50 |
| Pharmaceuticals | 1001.81 | +0.39 | +3.93 | 1.29 | 5.27 | 1007.38 |
| Tobacco | 1242.18 | -1.02 | -12.78 | 4.06 | 16.88 | 1259.22 |
| SERVICES | 1106.50 | -0.43 | -4.81 | 2.13 | 22.71 | 1137.07 |
| Distribution | 749.00 | -1.55 | -11.76 | 2.90 | 11.37 | 757.41 |
| Leisure & Hotels | 698.16 | +0.75 | +5.19 | 3.54 | 12.27 | 708.30 |
| Media | 944.88 | -0.12 | -1.16 | 2.33 | 10.88 | 954.86 |
| Retailers, Food | 989.85 | -0.49 | -4.85 | 2.06 | 14.17 | 1004.27 |
| Retailers, General | 941.41 | +1.03 | +9.58 | 3.34 | 20.48 | 980.83 |
| Telecommunications | 1037.43 | -0.50 | -5.18 | 1.86 | 13.02 | 1050.04 |
| Breweries, Pubs & Rests | 747.47 | -0.09 | -0.69 | 3.67 | 16.00 | 760.69 |
| Support Services | 895.04 | -2.44 | -22.40 | 1.64 | 9.87 | 904.55 |
| Transport | 933.99 | -0.90 | -8.60 | 2.65 | 19.24 | 951.11 |
| Information Technology | 865.81 | -1.18 | -10.37 | 0.42 | 2.33 | 867.87 |
| UTILITIES | 1433.08 | +0.01 | +0.10 | 3.08 | 58.82 | 1813.25 |
| Electricity | 1078.80 | +0.29 | +3.08 | 3.25 | 28.23 | 1107.62 |
| Gas Distribution | 1169.54 | -0.45 | -5.28 | 1.80 | 93.32 | 1378.72 |
| Water | 1041.15 | -0.73 | -7.68 | 4.86 | 38.72 | 1080.91 |
| FINANCIALS | 1142.46 | -0.40 | -4.62 | 2.88 | 27.32 | 1173.02 |
| Banks,Retail | 784.83 | -0.31 | -2.40 | 3.72 | 12.86 | 795.16 |
| Insurance | 887.79 | -0.37 | -3.31 | 1.54 | 11.79 | 898.82 |
| Life Insurance | 1042.22 | -0.90 | -9.48 | 1.86 | 12.88 | 1055.75 |
| Other Financial | 810.94 | -1.54 | -12.68 | 2.38 | 15.95 | 824.48 |
| Investment Companies | 876.88 | -0.80 | -7.12 | 1.65 | 20.68 | 895.11 |
| Property | 708.48 | -0.29 | -2.07 | 3.48 | 16.01 | 718.41 |

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## CURRENCIES & MONEY

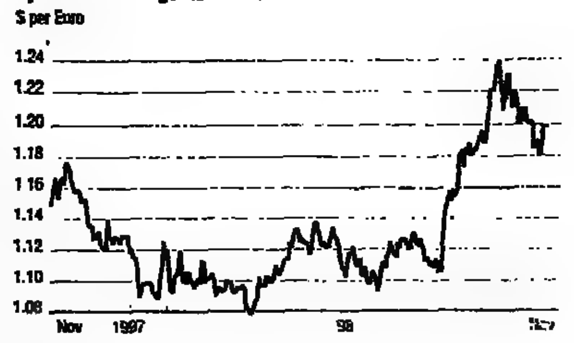
### FT SYNTHETIC EURO RATES

| Nov 17 | Currency code | Closing mid point | Change on day | Change on day% | Change on week | Change week % |
|---|---|---|---|---|---|---|
| **Europe** | | | | | | |
| Austria | ATS | 14.051942 | +0.0016 | +0.01 | +0.0004 | +0.00 |
| Belgium | BEF | 41.204674 | +0.0002 | +0.00 | -0.0093 | -0.02 |
| Czech Republic | CZK | 35.612611 | +0.0749 | +0.21 | +0.4212 | +1.20 |
| Denmark | DKK | 7.532954 | +0.0011 | +0.01 | +0.0001 | +0.00 |
| Finland | FIM | 6.072425 | -0.0004 | -0.01 | -0.0023 | -0.04 |
| France | FRF | 6.697076 | -0.0006 | -0.01 | -0.0008 | -0.01 |
| Germany | DEM | 1.997352 | +0.0002 | +0.01 | +0.0001 | -0.00 |
| Greece | GRD | 336.451000 | +0.2913 | -0.09 | -0.7564 | -0.22 |
| Hungary | HUF | 259.196254 | +0.2934 | +0.11 | +1.7620 | +0.68 |
| Ireland | IEP | 0.803037 | -0.0001 | -0.01 | +0.0003 | +0.04 |
| Italy | ITL | 1976.962935 | +0.9697 | +0.05 | +1.0940 | +0.06 |
| Luxembourg | LUF | 41.204674 | +0.0002 | +0.00 | -0.0093 | -0.02 |
| Netherlands | NLG | 2.251900 | +0.0001 | +0.00 | +0.0004 | +0.02 |
| Norway | NOK | 8.906662 | -0.0234 | -0.26 | +0.0319 | +0.36 |
| Poland | PLN | 4.116075 | +0.0024 | +0.06 | +0.0417 | +1.02 |
| Portugal | PTE | 204.641506 | +0.1947 | -0.10 | -0.1475 | -0.07 |
| Romania | ROL | 11791.308526 | -34.4576 | -0.29 | +94.2498 | +0.81 |
| Russia | RUB | 22.253395 | -0.2419 | -1.08 | +2.9807 | +15.47 |
| Slovakia | SKK | 43.254908 | +0.0529 | +0.12 | +0.5305 | +1.24 |
| Spain | ESP | 169.682140 | -0.1919 | -0.11 | -0.1431 | -0.08 |
| Sweden | SEK | 9.621413 | -0.0418 | -0.43 | +0.1985 | +2.11 |
| Switzerland | CHF | 1.643580 | -0.0002 | -0.01 | -0.0036 | -0.22 |
| United Kingdom | GBP | 0.713903 | -0.0013 | -0.18 | +0.0005 | +0.07 |
| ECU | ECU | 1.015162 | +0.0001 | +0.01 | -0.0004 | -0.04 |
| **Americas** | | | | | | |
| Brazil | BRL | 1.424337 | -0.0019 | -0.14 | +0.0118 | +0.84 |
| Canada | CAD | 1.855045 | -0.0099 | -0.53 | +0.0235 | +1.28 |
| Mexico | MXN | 11.904370 | -0.0424 | -0.35 | -0.0044 | -0.04 |
| United States | USD | 1.196419 | -0.0017 | -0.14 | +0.0104 | +0.88 |
| **Pacific/Middle East/Africa** | | | | | | |
| Australia | AUD | 1.888546 | +0.0173 | +0.92 | -0.0129 | -0.68 |
| Hong Kong | HKD | 9.263873 | -0.0137 | -0.15 | +0.0644 | +0.92 |
| Japan | JPY | 144.700939 | +1.1742 | +0.82 | -0.5503 | -0.38 |
| Singapore | SGD | 1.954949 | +0.0032 | +0.16 | -0.0097 | -0.49 |
| South Africa | ZAR | 6.613507 | +0.0257 | +0.38 | +0.1123 | +1.68 |

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0849, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0167.

**Synthetic Euro against the dollar**

$ per Euro




Source: FTSE International

### EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

| Nov 17 | Fixed rate | Market rate | Diff fxd v mkt% | Week ago % | Forward rate | Forward int rate | Diff int rate v DEM |
|---|---|---|---|---|---|---|---|
| Austria | 7.03552 | 7.0355 | +0.00 | +0.00 | 7.0351 | 3.53 | -0.05 |
| Belgium | 20.6255 | 20.6202 | +0.02 | +0.05 | 20.6212 | 3.54 | -0.04 |
| France | 3.35386 | 3.3531 | -0.02 | -0.01 | 3.3529 | 3.53 | -0.05 |
| Finland | 3.04001 | 3.0403 | +0.01 | -0.05 | 3.0403 | 3.58 | +0.00 |
| Ireland | 0.402676 | 0.4021 | -0.14 | -0.19 | 0.4022 | 3.79 | +0.21 |
| Italy | 990.002 | 989.8167 | -0.02 | -0.02 | 990.2119 | 3.92 | +0.34 |
| Luxembourg | 20.6255 | 20.6302 | +0.02 | +0.05 | 20.6292 | 3.54 | -0.04 |
| Netherlands | 1.12674 | 1.1275 | +0.07 | +0.05 | 1.1277 | 3.36 | -0.22 |
| Portugal | 102.505 | 102.459 | -0.04 | -0.03 | 102.4601 | 3.6 | +0.02 |
| Spain | 85.0722 | 84.9557 | -0.14 | -0.05 | 84.9149 | 3.97 | +0.39 |
| Germany | 1 | | +0.00 | +0.00 | | 3.58 | +0.00 |

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2-3. Forward rates are exchange rates to 31/12/98 interpolated from market quotes. Forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

## BONDS

### INTEREST RATE SWAPS

| Nov 16 | D-Mark Bid | D-Mark Ask | Ecu Bid | Ecu Ask | £ Stlg Bid | £ Stlg Ask | US $ Bid | US $ Ask | Yen Bid | Yen Ask |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 year | 3.59 | 3.62 | 3.69 | 3.72 | 6.50 | 6.53 | 5.07 | 5.10 | 0.36 | 0.39 |
| 2 year | 3.63 | 3.66 | 3.66 | 3.70 | 6.11 | 6.15 | 5.06 | 5.09 | 0.43 | 0.46 |
| 3 year | 3.73 | 3.76 | 3.75 | 3.79 | 6.06 | 6.10 | 5.16 | 5.19 | 0.53 | 0.56 |
| 4 year | 3.85 | 3.88 | 3.87 | 3.91 | 6.05 | 6.09 | 5.23 | 5.26 | 0.63 | 0.66 |
| 5 year | 4.00 | 4.03 | 4.01 | 4.05 | 6.00 | 6.04 | 5.28 | 5.31 | 0.74 | 0.77 |
| 6 year | 4.15 | 4.18 | 4.16 | 4.20 | 5.96 | 6.00 | 5.32 | 5.35 | 0.85 | 0.88 |
| 7 year | 4.28 | 4.31 | 4.29 | 4.33 | 5.91 | 5.95 | 5.39 | 5.42 | 0.95 | 0.98 |
| 8 year | 4.40 | 4.43 | 4.40 | 4.44 | 5.86 | 5.90 | 5.44 | 5.47 | 1.08 | 1.11 |
| 9 year | 4.50 | 4.53 | 4.50 | 4.54 | 5.83 | 5.87 | 5.50 | 5.53 | 1.20 | 1.23 |
| 10 year | 4.58 | 4.61 | 4.59 | 4.63 | 5.81 | 5.85 | 5.56 | 5.59 | 1.32 | 1.35 |
| 12 year | 4.74 | 4.77 | 4.75 | 4.79 | 5.78 | 5.83 | 5.70 | 5.73 | 1.56 | 1.60 |
| 15 year | 4.93 | 4.96 | 4.93 | 4.97 | 5.76 | 5.82 | 5.82 | 5.85 | 1.79 | 1.83 |
| 20 year | 5.13 | 5.16 | 5.13 | 5.17 | 5.73 | 5.80 | 5.92 | 5.95 | 1.98 | 2.03 |
| 25 year | 5.27 | 5.30 | 5.28 | 5.31 | 5.72 | 5.79 | 5.93 | 5.96 | 2.04 | 2.09 |
| 30 year | 5.34 | 5.37 | 5.33 | 5.36 | 5.70 | 5.78 | 5.93 | 5.96 | 2.13 | 2.18 |

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR. £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR. D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

### EUROZONE CORPORATE BONDS

| Nov 17 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Euro |
|---|---|---|---|---|---|---|---|---|
| **Sovereign Fungible issues** | | | | | | | | |
| Belgium (Kingdom of) | 03/08 | 5.750 | N/A | 110.280 | 4.38 | -0.02 | +0.05 | +0.06 |
| France (Rep of) | 04/08 | 5.250 | AAA | 107.780 | 4.23 | -0.02 | +0.03 | -0.09 |
| Italy (Rep of) | 05/08 | 5.000 | AA | 104.440 | 4.42 | -0.04 | -0.02 | +0.10 |
| Portugal (Rep of) | 06/08 | 5.375 | AA- | 106.990 | 4.51 | -0.03 | +0.05 | +0.19 |
| **Euro issues** | | | | | | | | |
| Abbey Natl Treas Srv | 02/03 | 4.875 | AA | 103.410 | 3.98 | -0.03 | +0.01 | +0.09 |
| Gen Electric Cap Crp | 10/04 | 5.500 | AAA | 107.610 | 4.02 | -0.03 | +0.09 | +0.06 |
| Dest Kontrollbank | 04/08 | 5.250 | AAA | 105.730 | 4.49 | -0.01 | -0.02 | +0.17 |
| Cred Local de France | 04/08 | 5.250 | AA+ | 104.070 | 4.70 | -0.01 | -0.02 | +0.38 |
| **Ecu issues** | | | | | | | | |
| Bayer Hypo & Wech Bk | 07/01 | 5.000 | AA- | 102.710 | 3.88 | -0.11 | -0.25 | +0.09 |
| Cred Foncier France | 03/04 | 8.375 | A | 116.160 | 4.46 | -0.03 | +0.12 | +0.52 |
| Euro Inv Bank | 04/04 | 5.250 | AAA | 106.590 | 3.87 | -0.03 | -0.01 | -0.03 |
| ABN Amro Hldg. NV | 04/07 | 6.375 | AA- | 109.329 | 4.96 | -0.03 | +0.05 | +0.75 |

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99. Euro issues are issued in the new currency. Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

### GOVERNMENT BOND SPREADS vs ECU

| Nov 17 | 2 yrs | 5 yrs | 7 yrs | 10 yrs | 20 yrs | 30 yrs |
|---|---|---|---|---|---|---|
| **"Ins"** | | | | | | |
| Austria | -0.11 | +0.01 | +0.23 | -0.04 | -0.05 | +0.12 |
| Belgium | -0.13 | +0.00 | +0.15 | +0.09 | +0.03 | +0.00 |
| Finland | -0.16 | +0.07 | +0.26 | +0.17 | -0.50 | -0.88 |
| France | -0.16 | -0.10 | -0.07 | -0.06 | -0.06 | -0.20 |
| Germany | -0.20 | -0.09 | +0.06 | -0.21 | -0.06 | -0.16 |
| Ireland | -0.02 | -0.01 | +0.12 | +0.12 | +0.15 | +0.48 |
| Italy | +0.06 | +0.10 | +0.23 | +0.21 | +0.20 | +0.12 |
| Luxembourg | -0.13 | +0.00 | +0.15 | +0.09 | +0.03 | +0.00 |
| Netherlands | -0.10 | +0.00 | +0.10 | -0.10 | -0.05 | -0.19 |
| Portugal | -0.15 | +0.07 | +0.31 | +0.19 | +0.17 | +0.12 |
| Spain | -0.22 | -0.02 | +0.27 | +0.25 | +0.09 | +0.07 |
| **"Outs"** | | | | | | |
| Denmark | +0.29 | +0.38 | +0.44 | +0.28 | -0.02 | +0.60 |
| Greece | +6.51 | +4.90 | +3.66 | +3.17 | +2.29 | +1.90 |
| Sweden | +0.17 | +0.29 | +0.44 | +0.29 | +0.16 | -0.23 |
| UK | +1.75 | +1.00 | +1.00 | +0.60 | -0.22 | -0.83 |

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

### EUROZONE CREDIT SPREADS vs ECU

| Nov 17 | S & P rating | Red date | Coupon | Currency code | Spread | Spread wk ago | Spread mth ago |
|---|---|---|---|---|---|---|---|
| KFW | AAA | 01/08 | 5.000 | DEM | +0.13 | +0.21 | +0.14 |
| France Telecom | AA+ | 11/08 | 6.250 | FRF | +0.25 | +0.12 | +0.22 |
| Halifax | AA | 07/07 | 5.625 | DEM | +0.44 | +0.37 | +0.36 |
| Ing Bank NV | AA- | 01/06 | 5.500 | NLG | +0.31 | +0.24 | +0.39 |
| Bayer Hypo W Bk | AA- | 02/02 | 6.750 | ITL | +0.26 | +0.29 | +0.24 |
| Cred Foncier | A | 02/03 | 7.250 | DEM | +0.49 | +0.42 | +0.58 |
| Thomson-Brandt Int | A- | 03/04 | 6.375 | FRF | +0.50 | +0.51 | +0.47 |
| Generale des Eaux | N/A | 03/04 | 6.250 | FRF | +0.40 | +0.40 | +0.43 |
| Bank of China | BBB | 07/99 | 7.125 | DEM | +1.82 | +2.17 | +2.71 |
| Natl Bk of Hungary | BBB- | 06/01 | 9.000 | ATS | +0.72 | +1.06 | +1.83 |
| Korea Dev Bank | BB+ | 11/02 | 5.625 | FRF | +5.94 | +6.28 | +6.16 |
| Argentina | BB | 04/08 | 8.125 | XEU | +5.28 | +5.02 | +5.80 |

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

## FTSE EUROTOP 300

| Name | Price (Ecu) | Chge +or- | Mkt cap Ecu(bn) | Vol (m) | Yld |
|---|---|---|---|---|---|
| **ALCOHOLIC BEVERAGES** | | | | | |
| Allied-Dom | 7.27 | +1 | 7.8 | 1.1 | 5.0 |
| Carlsberg A | 48.61 | -6 | 1.7 | - | 1.0 |
| Carlsberg B | 48.78 | -1.7 | 1.4 | 0.1 | 1.0 |
| Diageo | 9.39 | -1 | 33.6 | 5.1 | 3.0 |
| Heineken | 46.93 | -2 | 14.6 | 0.6 | 0.7 |
| LVMH | 150.79 | -2.8 | 14.3 | - | [illegible] |
| **AUTOMOBILES** | | | | | |
| BMW | 597.31 | +8.1 | 14.3 | - | 1.4 |
| DaimlerChrys | 78.88 | -7 | 80.6 | 0.3 | 1.2 |
| Fiat | 2.44 | - | 11.3 | 0.8 | 3.6 |
| Peugeot | 130.38 | -3.6 | 6.8 | 0.1 | 1.5 |
| Renault | 30.37 | -1.1 | 5.8 | 0.4 | 1.8 |
| Volkswagen | 66.82 | -1.2 | 24.7 | 0.2 | 0.8 |
| Volvo A | 17.83 | +4 | 2.5 | 0.1 | 3.0 |
| Volvo B | 18.02 | +3 | 5.6 | 1.2 | 3.8 |
| **BANKS RETAIL** | | | | | |
| ABN Amro | 17.19 | -2 | 24.4 | 3.4 | 3.3 |
| Abbey Natl | 17.47 | +1 | 24.7 | 2.6 | 3.3 |
| Alliance & L | 12.77 | - | 7.5 | 1.4 | 3.1 |
| Allied Irish | 13.60 | +2 | 11.1 | - | 1.8 |
| Almanij | 70.28 | -5 | 10.7 | 0.1 | 0.9 |
| Argentaria | 19.35 | -3 | 9.1 | 0.6 | 1.5 |
| Banca Comm | 6.85 | - | 10.7 | 0.8 | 1.4 |
| Bco Fideuram | 4.82 | -1 | 4.4 | 1.8 | 1.2 |
| Banca Intesa | 4.85 | - | 11.8 | 0.2 | 0.6 |
| Banca di Roma | 1.46 | - | 7.8 | 24.8 | - |
| Banco Bilbao | 12.66 | -1 | 14.6 | 4.1 | 1.8 |
| Banco Hispano | 9.08 | -2 | 10.1 | 1.8 | 1.2 |
| Banco Comm | 28.07 | -5 | 8.1 | - | 1.5 |
| Banco Popular | 54.29 | -8 | 6.8 | 0.3 | 2.6 |
| Banco de San | 15.32 | -1 | 17.8 | 2.3 | 1.8 |
| Bank Austria | 41.58 | -5 | 3.3 | 0.6 | 2.4 |
| Bank of Irel | 18.39 | +1 | 8.8 | - | 1.8 |
| Bank Scot | 9.50 | -1 | 10.6 | 2.1 | 2.2 |
| BNP | 65.51 | +1.4 | 13.1 | 0.4 | 1.8 |
| Barclays | 17.42 | -2 | 26.2 | 3.3 | 4.0 |
| Bay Hypo Ver | 56.84 | -8 | 25.3 | 0.2 | 1.4 |
| Commerzbank | 27.40 | +4 | 13.8 | 0.5 | 2.8 |
| CCF | 60.51 | - | 4.4 | 0.2 | 1.7 |
| CS Group (Re | 128.18 | +1 | 34.0 | 1.0 | 2.4 |
| Danske Bank | 109.73 | -8.6 | 5.8 | 0.1 | 2.2 |
| Deutsche Ban | 51.74 | +8 | 27.8 | 0.4 | 1.8 |
| Dresdner Ban | 30.89 | -5 | 16.6 | 0.3 | 2.8 |
| ForeningsSpa | 21.26 | -3 | 7.6 | 0.5 | 3.0 |
| HSBC (75p) | 20.52 | -8 | 18.1 | 2.6 | 4.5 |
| HSBC (HK$10) | 19.51 | -6 | 35.4 | 1.4 | 4.8 |
| Halifax | 11.85 | +2 | 29.1 | 1.9 | 3.6 |
| KBC Holdings | 64.39 | -5 | 19.2 | 0.1 | - |
| LloydsTSB | 11.14 | - | 60.5 | 5.4 | 3.0 |
| Mediobanca | 9.81 | -1 | 5.4 | 1.2 | 1.2 |
| Merita | 4.60 | -1 | 3.7 | 1.8 | 3.7 |
| Nat West | 13.82 | +4 | 22.8 | 3.0 | 4.3 |
| Nordbanken H | 4.84 | - | 8.2 | 1.9 | 3.3 |
| Paribas | 65.82 | -4 | 10.6 | 0.2 | - |
| Rolo Banca | 18.70 | -1 | 8.2 | 0.5 | 1.6 |
| Ryl Bk Scot | 11.50 | +4 | 10.1 | 3.4 | 3.6 |
| SanPaolo-IMI | 12.82 | - | 18.0 | 2.7 | - |
| S-E-Banken A | 9.08 | - | 5.1 | 2.0 | 3.5 |
| Soc Generale | 110.71 | +7 | 11.3 | 0.2 | 2.8 |
| Stand Chrtd | 8.73 | -1 | 8.7 | 1.6 | 4.0 |
| Sv Handelsb | 33.35 | -1 | 7.9 | 0.1 | 2.1 |
| UBS AG (Reg) | 237.83 | +1.1 | 51.0 | 0.7 | 2.6 |
| Uni Credito | 4.49 | - | 20.9 | 9.0 | 0.9 |
| Woolwich | 5.27 | +1 | 8.5 | 1.6 | 3.4 |
| **BREWERIES, PUBS & RESTAURANTS** | | | | | |
| Bass | 10.89 | +1 | 8.7 | 1.7 | - |
| Compass | 8.66 | -1 | 5.9 | 1.4 | 1.8 |
| Scot & New | 10.50 | -1 | 6.5 | 1.8 | 4.0 |
| Whitbread | 11.22 | -1 | 5.5 | 0.7 | 4.2 |
| **BUILDING MATERIALS & MERCHANTS** | | | | | |
| CRH | 12.38 | +4 | 4.8 | - | 1.2 |
| Hanson | 6.13 | - | 4.8 | 0.7 | 3.5 |
| Holdrbk Zurn | 78.21 | -1.4 | 3.0 | - | [illegible] |
| Holderbank B | 894.51 | -9.9 | 4.6 | - | 1.4 |
| Lafarge | 80.18 | +1.3 | 9.2 | 0.3 | 1.9 |
| Saint Gobain | 121.48 | -3.7 | 11.9 | 0.2 | 2.5 |
| **CHEMICALS** | | | | | |
| AGA A | 10.66 | +1 | 1.4 | 0.1 | 3.0 |
| AGA B | 10.24 | +1 | 1.2 | 0.3 | 3.1 |
| Air Liquide | 138.27 | -3.2 | 11.6 | 0.1 | 1.5 |
| Akzo | 31.94 | - | 9.1 | 1.3 | 3.0 |
| BASF | 32.33 | -8 | 20.3 | 0.5 | 3.2 |
| BOC | 12.92 | +3 | 6.0 | 0.7 | 4.1 |
| Bayer | 34.84 | -4 | 25.1 | 0.4 | 2.6 |
| Ciba Spec Ch | 81.85 | -1.5 | 5.4 | 0.2 | - |
| Hoechst | 39.12 | -7 | 23.0 | 0.8 | 2.0 |
| ICI | 8.16 | -2 | 5.9 | 1.4 | 5.6 |
| Solvay | 62.89 | +9 | 6.3 | 0.1 | 2.4 |
| UCB | 4,732.35 | -2 | 6.9 | - | 0.4 |
| **CONSTRUCTION** | | | | | |
| Bouygues | 184.27 | -6.9 | 4.8 | 0.1 | 1.4 |
| Skanska B | 24.60 | -5 | 2.6 | 0.1 | 4.7 |
| **DISTRIBUTORS** | | | | | |
| Adidas Salmn | 89.61 | +1.4 | 4.8 | - | 1.0 |
| GUS | 9.49 | -3 | 4.2 | - | 1.7 |
| Kesko | 73.99 | -4.6 | 3.6 | - | 1.2 |
| **DIVERSIFIED INDUSTRIALS** | | | | | |
| Investor A | 1.28 | - | 3.2 | 0.2 | 1.3 |
| Investor B | 34.83 | +1 | 3.0 | 0.3 | 3.1 |
| Incentive A | 33.39 | - | 2.6 | - | 3.2 |
| Mannesmann | 0.92 | - | 3.8 | 48.2 | 2.1 |
| RWE | 42.08 | -1.6 | 22.8 | 0.2 | 2.0 |
| Suez-Lyon de | 159.84 | -8.2 | 24.1 | 0.4 | 1.4 |
| Tomkins | 3.89 | - | 4.6 | 7.3 | 3.0 |
| Veba | 46.36 | -7 | 23.6 | 0.3 | 2.4 |
| Vivendi | 193.79 | +6 | 18.6 | 0.8 | 1.2 |
| **ELECTRICITY** | | | | | |
| Br Energy | 8.80 | -2 | 6.4 | 3.3 | 3.0 |
| Edison | 8.41 | -1 | 6.3 | 1.3 | 1.3 |
| Electrabel | 312.58 | +8 | 17.8 | - | 2.8 |
| Elect de Por | 21.18 | - | 6.6 | - | 3.8 |
| Endesa | 22.87 | -3 | 23.6 | 4.6 | 1.6 |
| Iberdrola | 14.27 | +2 | 12.8 | 0.3 | 2.3 |
| Natl Grid | 6.41 | +2 | 9.6 | 10.0 | 3.4 |
| Natl Power | 7.82 | +1 | 9.7 | 3.0 | [illegible] |
| PowerGen | 12.23 | +1 | 8.0 | 2.8 | 4.4 |
| Scot Power | 9.21 | +1 | 11.0 | 3.2 | 4.1 |
| Southern El | 9.59 | - | 4.8 | 0.4 | 4.3 |
| Tractebel | 137.88 | +3 | 11.6 | - | 1.4 |
| **ELECTRONIC & ELECTRICAL EQPT.** | | | | | |
| ABB A | 8.61 | - | 8.3 | 9.0 | 2.5 |
| ABB (Br) | 1,005.32 | +8.2 | 9.5 | - | 2.5 |
| Alcatel SA | 93.12 | -2 | 18.6 | 0.8 | 1.8 |
| Alstom | 21.48 | -1.4 | 4.6 | 1.1 | - |
| Ericsson B | 20.79 | +4 | 40.5 | 8.1 | 0.9 |
| GEC | 6.77 | -1 | 18.1 | 9.2 | 3.6 |
| Lagardere | 32.23 | -4.8 | 3.9 | 0.3 | 2.0 |
| Lernhaupt | 43.35 | - | 3.9 | - | 3.1 |
| Legrand | 224.48 | +8.7 | 8.7 | - | 0.9 |
| Nokia A | 75.73 | -8 | 40.8 | 1.8 | 0.8 |
| Philips | 53.88 | +4 | 18.9 | 2.8 | 1.7 |
| Schneider | 48.85 | +3 | 7.6 | 0.5 | 2.0 |
| Siemens | 58.27 | -4 | 34.1 | 0.4 | 1.3 |
| **ENGINEERING** | | | | | |
| Atlas Copco A | 18.73 | +4 | 3.3 | 0.2 | 3.4 |
| Atlas Copco B | 18.63 | +3 | 1.1 | 0.7 | 2.4 |
| BTR | 1.42 | -1 | 4.6 | 13.8 | 9.8 |
| Brit Aero | 6.61 | +1 | 8.7 | 3.0 | 1.4 |
| Br Steel | 1.47 | - | 2.8 | 11.5 | 13.0 |
| Degussa | 41.83 | +1 | 2.8 | - | 1.8 |
| GKN | 9.35 | -3 | 6.8 | 2.2 | 3.4 |
| Linde | 463.46 | -8.0 | 4.1 | - | 2.0 |
| LucasVarity | 2.79 | - | 2.9 | 1.4 | 3.0 |
| MAN | 233.34 | -8.5 | 3.4 | - | 3.5 |
| Mannesmann | 86.39 | +1.4 | 33.6 | 0.2 | 0.6 |
| Michelin B | 33.15 | -1.7 | 4.5 | 0.6 | 1.7 |
| Pirelli Spa | 2.57 | - | 4.8 | 2.5 | 2.4 |
| Preussag | 297.55 | +2.3 | 4.8 | - | 2.1 |
| Sandvik A | 19.09 | +1 | 3.9 | 0.3 | 4.9 |
| Scania A | 18.57 | +2 | 1.8 | 0.2 | 3.7 |
| Scania B | 15.72 | +3 | 1.6 | 0.6 | 3.7 |
| Smiths | 3.16 | +1 | 6.6 | 3.4 | 1.8 |
| Smiths Ind | 11.72 | +4 | 3.6 | 0.7 | 3.0 |
| TI | 4.71 | -3 | 2.4 | 1.3 | 5.9 |
| Thomson CSF | 30.48 | +2 | 5.1 | 0.2 | 1.8 |
| Thyssen | 169.32 | -1.1 | 5.2 | - | 4.7 |
| Viag | 568.23 | -39.0 | 15.1 | - | 1.3 |
| Valeo | 71.45 | -1.8 | 5.9 | 0.1 | 1.4 |
| **EXTRACTIVE INDUSTRIES** | | | | | |
| Billiton | 1.88 | -1 | 4.0 | 3.2 | - |
| Rio Tinto | 9.82 | +7 | 10.4 | 3.5 | 4.6 |
| **FOOD PRODUCERS** | | | | | |
| A B Foods | 5.53 | -3 | 7.8 | 0.7 | 1.9 |
| Cadbury Schw | 12.67 | -1 | 12.8 | 0.8 | 2.1 |
| Danisco | 45.67 | -2 | 2.7 | 0.3 | 1.8 |
| Danone | 244.93 | [illegible] | 18.0 | 0.2 | 1.1 |
| Eridania B-S | 148.17 | +1.7 | 3.8 | - | 3.8 |
| Nestle R | 1,848.46 | +18.0 | 72.8 | 0.1 | 1.2 |
| Unilever NV | 67.31 | +3 | 43.1 | 1.5 | 1.8 |
| Unilever PLC | 8.96 | -1 | 29.2 | 4.2 | 1.7 |
| **GAS DISTRIBUTION** | | | | | |
| BG | 5.74 | - | 22.6 | 5.3 | 2.6 |
| Centrica | 1.65 | - | 7.3 | 7.8 | - |
| Gas Natural | 71.49 | -7 | 10.7 | 0.1 | 0.5 |
| **HEALTH CARE** | | | | | |
| Nycomed Amer | 5.60 | -1 | 3.5 | 1.4 | 1.3 |
| **HOUSEHOLD GOODS & TEXTILES** | | | | | |
| Beiersdorf | 51.63 | -1.7 | 4.3 | - | 1.8 |
| Christian Di | 85.04 | -2.2 | 3.8 | - | 2.8 |
| Electrolux B | 11.98 | +2 | 4.9 | 1.9 | 2.2 |
| Henkel Pf | 65.57 | +1.8 | 3.8 | - | 1.3 |
| L'Oreal | 423.80 | -8.5 | 32.0 | 0.1 | 0.8 |
| Reckitt & C | 12.90 | - | 5.2 | 0.8 | 2.7 |
| Swatch Br | 475.06 | -8.5 | 1.7 | - | 1.3 |
| Swatch Reg | 115.21 | -3.3 | 1.7 | - | 1.1 |
| **INFORMATION TECHNOLOGY** | | | | | |
| Baan Co. | 11.49 | -8 | 2.4 | 1.8 | - |
| Cap Gemini | 134.07 | -4 | 8.2 | 0.2 | 0.4 |
| Misys PLC | 8.61 | +1 | 3.5 | 2.5 | 0.9 |
| SAP (Pref) | 431.57 | -8.9 | 19.1 | - | 0.3 |
| SAP | 378.29 | -8.2 | 20.8 | - | 0.4 |
| Sema Gp | 8.01 | +2 | 3.1 | 0.6 | 0.8 |
| **INSURANCE** | | | | | |
| Axa | 98.64 | +3.9 | 34.4 | 1.8 | 1.4 |
| Aachen Munr | 127.15 | -10.0 | 8.8 | - | 0.5 |
| Allianz | 306.54 | -8.8 | 68.1 | 0.1 | 0.2 |
| Allied Zurich | 10.94 | -1 | 18.1 | 8.3 | - |
| AGF | 48.79 | +1 | 8.8 | 0.3 | 1.6 |
| Baloise (Reg | 763.06 | -17.8 | 4.4 | - | 3.4 |
| CGU | 12.90 | -2 | 16.8 | 3.0 | 3.7 |
| Ergo Versich | 128.79 | -3.1 | 19.1 | - | 0.8 |
| Fortis AG | 254.81 | -8 | 30.8 | 0.2 | 1.1 |
| Fortis Amev | 58.92 | -3 | 18.9 | 0.5 | 2.0 |
| Generali | 31.29 | -3 | 31.8 | 3.8 | 0.8 |
| G R E | 4.17 | +1 | 3.7 | 8.3 | 4.5 |
| ING | 49.88 | +7 | 40.9 | 8.4 | 2.5 |
| Munich Reinsch | 391.19 | -8.9 | 34.2 | - | 0.2 |
| Ras | 11.06 | -2 | 8.6 | 1.0 | 1.8 |
| Royal Sun Al | 8.83 | -2 | 10.7 | 2.3 | 4.8 |
| Skandia | 16.60 | - | 6.6 | 1.4 | 0.7 |
| Swiss Re R | 2,032.41 | +24.9 | 28.7 | - | 1.3 |
| Zurich Alle | 531.87 | +8.5 | 35.8 | 0.2 | 1.4 |
| **INVESTMENT COMPANIES** | | | | | |
| 3i Group | 7.62 | - | 4.5 | 0.4 | 2.4 |
| GBL | 147.89 | -1.7 | 3.8 | - | 2.8 |
| **LEISURE & HOTELS** | | | | | |
| Accor | 184.27 | +9.5 | 9.6 | 0.1 | 1.3 |
| Granada | 12.82 | +1 | 10.9 | 1.3 | 2.2 |
| Ladbroke | 3 | -1 | 3.8 | 11.2 | 3.4 |
| Rank Group | 3.34 | -2 | 2.6 | 3.6 | 8.1 |
| **LIFE INSURANCE** | | | | | |
| Aegon | 83.91 | -1.8 | 48.8 | 3.0 | 1.8 |
| Alleanza Ass | 10.54 | -5 | 8.7 | 1.1 | 0.8 |
| Ina | 2 | - | 8.0 | 11.5 | 1.8 |
| Legal & Gen | 9.79 | -1 | 12.5 | 0.5 | 2.4 |
| Norwich Un | 6.07 | - | 11.8 | 1.8 | 3.5 |
| Prudential | 11.57 | +2 | 22.5 | 1.5 | 2.4 |
| Sun Life & P | 7.11 | -3 | 5.5 | 0.2 | 3.1 |
| **MEDIA** | | | | | |
| B Sky B | 6.97 | -1 | 12.0 | 1.8 | 1.5 |
| Canal Plus | 271.57 | -3 | 6.6 | - | 1.4 |
| Carlton C | 5.87 | -2 | 3.6 | 2.1 | 3.9 |
| EMI | 4.75 | -2 | 3.7 | 1.7 | 4.8 |
| Elsevier | 11.29 | +1 | 7.5 | 4.3 | 3.8 |
| Mediaset | 6.01 | - | 7.1 | 4.7 | 2.8 |
| Pearson | 14.18 | +2 | 8.6 | 1.2 | 2.5 |
| Polygram | 51.34 | - | 8.2 | 0.4 | 0.9 |
| Reed Int | 6.40 | -2 | 7.3 | 1.9 | 4.1 |
| Reuters | 8.45 | -1 | 12.8 | 3.6 | 2.8 |
| Utd News | 9.07 | +4 | 4.5 | 1.7 | 3.8 |
| VNU NV | 29.19 | - | 5.5 | 0.8 | 1.2 |
| WPP | 4.70 | +1 | 3.6 | 2.1 | 0.8 |
| Wolters Kluw | 182.06 | +2.6 | 11.2 | 0.3 | 0.8 |
| **OIL, INTEGRATED** | | | | | |
| BP | 13.33 | +2 | 78.5 | 28.9 | 3.1 |
| ENI | 5.82 | - | 46.2 | 18.3 | 2.8 |
| Norsk Hydro | 30.65 | -1.6 | 3.5 | 0.3 | 2.8 |
| Petrofina | 298.54 | -4.2 | 6.8 | - | 2.8 |
| Repsol | 44.81 | +1 | 13.4 | [illegible] | 2.0 |
| Royal Dutch | 40.98 | -5 | 87.8 | 3.6 | 3.6 |
| Shell Trans | 5.07 | - | 50.5 | 17.8 | 3.7 |
| Elf Aquitain | 102.86 | -2.4 | 28.3 | 0.3 | 2.2 |
| Total B | 102.37 | -2 | 25.0 | 0.5 | 1.9 |
| **OTHER FINANCIAL** | | | | | |
| Alleanza Ass | 5.98 | - | 4.0 | 1.9 | 1.7 |
| CLF Dexia | 119.81 | -2.4 | 4.4 | [illegible] | 2.2 |
| Dexia | 137.11 | -2.4 | 8.1 | - | 0.7 |
| Prov Fincl | 13.47 | - | 3.5 | 0.3 | 2.8 |
| Schroders | 15.62 | -5 | 4.5 | 0.1 | 1.8 |
| **PAPER PACKAGING & PRINTING** | | | | | |
| Alusuisse-Ln | 1,061.30 | +52.0 | 6.6 | 0.1 | - |
| SCA A | 18.65 | -1 | 1.2 | - | 3.2 |
| SCA B | 18.68 | -1 | 2.5 | 0.1 | 3.2 |
| Stora A | 9.34 | -5 | 3.0 | 0.7 | 4.2 |
| UPM-Kymmene | 21.53 | +3 | 6.0 | [illegible] | 4.3 |
| **PHARMACEUTICALS** | | | | | |
| Astra A | 14.82 | +1 | 23.8 | 3.1 | 1.3 |
| Glaxo Wcme | 26.85 | +5 | 96.8 | 5.7 | 1.9 |
| Novartis R | 1,598.13 | +1.1 | 69.0 | 0.1 | 1.8 |
| Novo Nordisk | 101.70 | -1.9 | 8.6 | 0.2 | 0.8 |
| Rhone Poulen | 39.43 | -7 | 14.7 | 1.3 | 1.4 |
| Roche Hold G | 9,787.57 | -49.7 | 82.8 | - | 0.5 |
| Sanofi | 145.80 | +1 | 18.7 | 0.4 | 0.7 |
| Schering | 99.59 | -1.8 | 6.6 | 0.1 | 1.4 |
| SmithKline | 10.47 | +1 | 58.4 | 7.0 | 7.8 |
| Synthelabo | 183.46 | +1.3 | 7.9 | - | 0.8 |
| Zeneca | 32.06 | +2 | 31.2 | 1.9 | 2.1 |
| **PROPERTY** | | | | | |
| Br Land | 7.34 | +1 | 3.8 | 1.1 | 0.8 |
| Land Sec | 11.89 | -1 | 6.5 | 0.1 | 4.2 |
| **RETAILERS, FOOD** | | | | | |
| Asda | 2.21 | - | 6.7 | 3.1 | 2.0 |
| Ahold | 29.49 | - | 18.3 | 3.0 | 1.2 |
| Carrefour | 569.88 | -4.8 | 23.5 | 0.7 | 0.8 |
| Casino | 84.17 | -5 | 7.5 | 0.1 | 1.4 |
| Delhaize Fre | 66.34 | -1.5 | 3.4 | 0.1 | 1.1 |
| Promodes | 569.88 | -7 | 8.6 | - | 0.8 |
| Safeway | 3.63 | -1 | 4.3 | 3.0 | 6.4 |
| Sainsbury | 7.40 | +2 | 14.1 | 2.2 | 3.4 |
| Tesco | 2.39 | - | 16.0 | 8.8 | 2.9 |
| **RETAILERS, GENERAL** | | | | | |
| Boots | 13.87 | +1 | 12.7 | 0.6 | 2.9 |
| Dixons | 8.63 | +4 | 4.1 | 3.8 | 2.4 |
| GUS | 9.89 | - | 8.9 | 1.7 | 4.0 |
| H & M B | 67.83 | +1.1 | 14.0 | 0.2 | 0.5 |
| Kingfisher | 7.72 | +1 | 10.5 | 2.8 | 2.8 |
| Marks & S | 6.38 | - | 18.3 | 13.0 | 4.0 |
| Metro AG | 68.28 | -4 | 13.6 | 0.2 | 1.0 |
| Pinault Prin | 141.89 | +8.2 | 16.0 | 0.2 | 0.8 |
| **SUPPORT SERVICES** | | | | | |
| Adecco (Br) | 333.59 | -5.0 | 5.7 | - | 1.0 |
| Hays | 6.68 | - | 5.7 | 2.0 | 1.4 |
| Rentokil Ini | 47.32 | -7 | 6.5 | 0.2 | 0.8 |
| Rolls A | 150.54 | +2 | 7.0 | - | 1.1 |
| Rolls B | 151.88 | -2 | 4.0 | - | 1.1 |
| Rentokil Int | 5.25 | -1 | 16.0 | 3.5 | 1.1 |
| Sodexho | 152.12 | -4.8 | 6.1 | - | 0.8 |
| TNT Post Gro | 29.89 | -1.3 | 8.8 | 1.2 | 0.6 |
| Williams | 5.03 | -2 | 3.7 | 1.2 | 4.8 |
| **TELECOMMUNICATIONS** | | | | | |
| BT | 11.88 | -1 | 76.4 | 5.4 | 3.0 |
| Cable & Wire | 7.15 | -1 | 10.7 | - | - |
| Cable & W | 9.90 | +1 | 23.8 | 4.1 | 2.9 |
| Deutsche Tel | 23.81 | -5 | 65.4 | 8.4 | 2.4 |
| France Telec | 61.12 | -5 | 14.2 | 0.8 | 1.6 |
| Olivetti | 2.14 | - | 6.6 | 20.1 | - |
| Orange | 8.51 | - | 10.2 | 3.4 | - |
| Portugal Tel | 38.89 | +8 | 5.4 | - | 2.3 |
| ROYAL KPN | 39.36 | +8 | 18.9 | 1.8 | 2.7 |
| Securicor | 6.76 | -1 | [illegible] | 3.1 | 0.5 |
| Tele Danmark | 96.08 | -1.1 | 10.4 | 0.5 | 2.5 |
| Telecom Ital | 6.35 | - | 45.3 | 20.1 | 1.5 |
| TIM | 6.27 | - | 48.3 | 12.7 | 0.8 |
| Telefonica | 37.57 | -4 | 38.5 | 2.5 | 1.2 |
| Telewest Com | 1.88 | - | 3.9 | 7.8 | - |
| Vodafone | 11.92 | -2 | 36.9 | 15.0 | 0.8 |
| **TOBACCO** | | | | | |
| Brit Am Toc | 7.33 | -2 | 11.5 | 2.3 | 5.4 |
| Gallaher | 6.29 | -1 | 4.3 | 1.4 | 4.7 |
| Imperial Tob | 9.64 | +1 | 5.0 | 1.4 | 4.0 |
| Richemont A | 1,034.74 | +3.8 | 5.4 | - | 1.3 |
| **TRANSPORT** | | | | | |
| Assoc | 13.18 | [illegible] | 3.3 | [illegible] | 2.6 |
| BAA | 9.37 | - | 9.9 | 2.8 | 2.7 |
| D/S 1912 B | 5,587.21 | -385.4 | 3.1 | - | 8.1 |
| D/S Svendbor | 8,363.54 | -458.9 | 8.1 | - | 8.1 |
| Lufthansa | 17.78 | -3 | 3.4 | 0.8 | 2.8 |
| P & O | 8.70 | +1 | 5.8 | 1.2 | 5.7 |
| Railtrack | 24.35 | +1 | 12.0 | 1.5 | 1.7 |
| Stagecoach | 3.45 | +2 | 4.5 | 2.3 | 1.2 |
| **WATER** | | | | | |
| Anglian Wtr | 12.52 | -1 | [illegible] | 1.5 | 5.7 |
| Severn Trent | 15.00 | -2 | 5.1 | [illegible] | 4.0 |
| Thames Water | 16.77 | -1 | 5.9 | 8.6 | 4.2 |
| Utd Utils | 12.85 | -1 | 6.9 | 0.7 | 5.0 |

**Notes**

Price data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are domiciled in Emu countries. Trading Volumes and yields derived from local domestic markets and supplied by Extel, part of FT Information.

Company classifications are based on those used for the FTSE Eurotop share indices.

Prices of stocks may move on public holdings due to currency fluctuations.

Financial Times Surveys

Croatian Finance and Investment

Monday December 14

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FINANCIAL TIMES
No FT, no comment.

## CONTRACTS & TENDERS

ETBA Finance

ECONOMIC & FINANCIAL SERVICES S.A. (formerly GREEK EXPORTS S.A.)

ANNOUNCEMENT

FIRST PUBLIC TENDER FOR THE SALE OF THE ASSETS OF "GREEK OPTICS INDUSTRY S.A." distinctively entitled "EL.VLOP DIMOSYNETERISTIKI S.A." NOW IN LIQUIDATION

ETBA FINANCE ECONOMIC & FINANCIAL SERVICES S.A. established in Athens (1 Eratosthenous St.), as special liquidator by virtue of Decision No 4661/1996 of the Athens Court of Appeal, of the above company which is in special liquidation as per article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991, as in force today

ANNOUNCES

a First Public International Tender, with sealed, binding offers, for the sale of the total assets of "GREEK OPTICS INDUSTRY S.A." ("EL.VLOP. DIMOSYNETERISTIKI S.A.").

Activity and Summary data on the Company

The Company in special liquidation owns a factory in the Industrial Zone of Lamia, which produces finished plastic frames for sunglasses and spectacles using acrylic cellulose in sheets as raw material. The unit is established on a plot 3,850 m² in area, the buildings covering 1,736.93 m² (not counting the conservatories that cover an area of 71.44 m²). The factory is a metal construction, with thermo-insulating shades, aluminium window frames with double-glazing and air conditioning. The machinery is suited to the production of spectacle frames. The surrounding area is paved and fenced, with plants and adequate parking space for cars, open-air storage, easy access for lorries, while its shape is rectangular and faces the paved roadway.

Terms of the Announcement

1. The tender will be conducted in accordance with the provisions of article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 as currently in force; the terms contained in the present Announcement and the terms contained in the Offering Memorandum, regardless of whether or not they are repeated in the present. The submission of a binding offer implies acceptance of all these terms.
2. Interested parties may obtain a detailed Offering Memorandum and ask for any other information on signature of a confidentiality agreement.
3. In order to participate in the tender, interested parties are invited to submit a sealed, binding offer to the Athens notary public assigned to the tender, Mrs. Panayota Spyndonos Stassinopoulou, at 71-73 Academias Street, Athens, tel. (301) 3811985 by 12 noon on Thursday, 10th December 1998. Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the time limit will not be accepted or taken into consideration. Offers must not contain terms upon which their bindingness will depend or which create vagueness with regard to the amount or the method of payment of the offered price or with regard to any other essential points.
4. Offers must be accompanied, on penalty of cancellation of the offer, by a letter of guarantee from a first class bank legally operating in Greece, to the amount of fifty million drachmas (GDR 50,000,000 as per specimen contained in the Offering Memorandum, valid until the adjudication for low bidders and until signature of the sale contract for the highest bidder.
5. The offers will be opened by the above-mentioned notary in her office at 14:00 hours on Thursday, 10 December 1998. Interested parties who have submitted binding offers within the time limit are entitled to attend the opening of the offers.
6. The sealed, binding offers must specifically state the offered amount and the method of payment (whether in cash or on credit.) In the event that payment is to be on credit the offer must state the number of instalments, which are to be paid and the interest rate during the entire period up to final settlement. If mention is not made of a) the method of payment, b) whether the balance on credit will bear interest or not, c) the rate of interest, then it will be correspondingly deemed that a) the amount will be paid in cash, b) the balance on credit will not bear interest and c) the rate of interest for the balance on credit will be calculated on the interest rate of the latest issue of state bonds of one year's duration.
7. The factory is offered for any kind of production that the purchaser may choose. In any event, however, the purchaser must at his own expense and care, see to the corresponding issuing of the necessary work permit. It is to be noted that the previous work permit expired on 10 October 1996.
8. In the event of part payment on credit, the present value will be taken into account, which will be calculated with the interest rate of the latest issue of state bonds of one year's duration. If the offer is made in foreign currency, for it's conversion into drachmas, the fixing price of the Bank of Greece on the final day for the submission of offers to the present tender will be used.
9. The highest bidder to the tender will be the one whose offer will be deemed by the creditor ETBA S.A., following the proposal to this effect by the liquidator, to be the most satisfactory for the company-in-liquidation's creditors.
10. The elements which make up the company's assets shall be sold "as is and where is" and, more specifically, in their actual and legal condition and at the place where they are situated on the day of signature of the sale contract. The liquidator and the creditors are not responsible for legal or actual defects or deficiencies of any kind of the assets or sale, nor for any incomplete or inaccurate description of them in the Offering Memorandum. Interested parties, should, with their own means, responsibility and diligence and at their own expense, look into and form their own assessment of the objects for sale. The submission of an offer implies that the interested party is fully aware of the legal and actual state of the objects for sale.
11. In the event that the person to whom the assets of the company under liquidation are adjudicated fails in his obligation to appear at the time and place specified in the liquidator's invitation, in order to sign the relative contract in accordance with the terms of the present Announcement and of his offer, as finally composed, then the guarantee, as above, is forfeited in favour of the liquidator and the creditors in order to cover all expenses of any kind, time spent and real or paper losses sustained, with no obligation to provide proof of such, or consider the amount as a penalty clause and collect it from the guarantor bank.
12. The liquidator bears no responsibility towards participants in the tender, both with regard to the report assessing the offers or to his proposal of the highest bidder. Also, he is not liable and has no obligation to the participants in the tender in the event that the tender is cancelled or declared null and void if its result is deemed unsatisfactory.
13. Those parties taking part in the tender and submitting offers do not acquire any right, claim or demand from the present Announcement and from their participation in the tender, against the liquidator or the creditors for any cause or reason.
14. According to para. 13 of article 46a of Law 1892/1990 the sale contract and the necessary transfers accruing from it and any other relative transaction are exempted taxes, dues or state or third party rights or stamp duties, while the rights and fees of notaries, lawyers, supervisors and mortgagors are restricted to 30%. Any expenses incurred in the sale of the assets (VAT, the fees of lawyers, notaries and mortgagors, judiciary supervisors, etc.) rights and other expenses are to be borne by the buyer.

The present was drafted in Greek and translated into English. However, in the event of differences occurring in translation, the Greek text will prevail.

In order to obtain the Offering Memorandum and for any additional information, please apply to the offices of the liquidator ETBA FINANCE Economic & Financial Services S.A. 1 Eratosthenous & Vass. Constantinou Sts. (4th Floor). Athens, Tel. (301) 7260210, (301) 7260258, (301) 7260506 and Fax (301) 7260664

# Rate cut pushes Treasuries higher

GOVERNMENT BONDS

By John Labate in New York and Arkady Ostrovsky in London

US Treasury prices pushed higher soon after the announcment that the Federal Reserve had again cut US interest rates.

Prices were already higher before the Federal Open Market Committee announced it was to cut the key Federal funds and discount rates by 25 basis points each, and European markets had also ended up on hopes of a further easing.

In the minutes after the rate cut announcement, the 30-year Treasury bond, the benchmark for US interest rates, was ¼ higher at 99$\frac{23}{32}$, sending the yield lower to 5.273 per cent.

Among shorter-term issues, the 10-year note was up $\frac{13}{32}$ to 99$\frac{5}{32}$, yielding 4.806 per cent, while the two-year note was up $\frac{1}{16}$ to 99¼, yielding 4.472 per cent. The Dow Jones Industrial Average rose from its early lows on the rate cut news.

"The bill sector and the two-year note rallied most, but the long end is not reacting that positively," said Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York.

Ahead of the FOMC meeting, economists and analysts were divided in their expectations.

Economists, seeing signs of slowing US domestic growth, had overwhelmingly expected another rate cut. Market analysts and traders were less convinced a cut was coming, because of the strong rebound seen in global financial markets since the Fed first began easing monetary policy in late September.

The most recent rate cut, which came by surprise in mid-October, triggered a sharp rally in stocks and bonds soon after.

European government bond markets had closed higher in thin trading ahead of the FOMC announcement in anticipation of a reduction. They were helped additionally by further good news on European inflation, especially in the UK, where the annual rate hit the 2.5 per cent target for the third consecutive month.

It remains to be seen whether this, combined with the Fed move, will convince the Bank of England to cut UK rates again next month – some market watchers believe there may be no further easing of UK monetary policy until next year – but it was enough in the short term to give a fillip to UK gilts.

The December contract on Liffe settled 0.34 higher at 115.49 in light futures trading, while the cash market got a boost from the repayment of nearly £8bn of debt, further limiting the supply of gilts.

The Debt Management Office also said it was to auction £450m of index-linked gilts next week, the first time an index-linked issue would be available for several years.

German bunds marked time along with other European markets, although there is now a widespread acceptance that, unlike in the US, interest rates will probably not decline before the year end and that interest rates in the eurozone countries will converge at 3.3 per cent when the European single currency is launched in January.

The December future settled 0.21 higher at 112.59, while Italian and Spanish bonds also moved marginally higher.

Yields on Japanese government bonds fell slightly in Tokyo trading as prices rose despite a move by Moody's Investors Service to deprive Japan of its triple-A rating.

The agency cut the country's sovereign rating by one notch, from Aaa to Aa1, a step that had been widely anticipated.

Russia's debt market was unaffected by the general mood of anticiapation of the FOMC decision, and staged a small rally, taking its cue from a strong performance the previous day by other emerging debt markets.

Principal Notes (PRINs) rose 1¼ to 7¼ and Interest Arrears Notes (IANs) were up 1½ to 8½ in afternoon trading, although there was no firm direction to the market's trend.

Analysts said hopes were rising that Russia would pay all or some of its $407m debt in PRINs and $205m in IANs, which are due next month.

Richard Gray, at Bank of America, said that it was in Russia's interest to do so in order to avoid a formal default on the $26bn debt that it owes to its London Club of commercial bank creditors.

Other emerging debt was also quiet on the view that no rate cut from the Fed would be bad news for the Brady bond market, but prices remained firm.

However, Mexican and Venezuelan paper was affected by the volatility in oil prices, which have begun to ease after the sudden end to the confrontation with Iraq.

# Moody's cuts Toyota rating

By Khozem Merchant

Moody's, the US rating agency, has downgraded Toyota's non-yen debt following its re-rating of Japan's sovereign debt yesterday. The agency downgraded the Japanese motor manufacturer's non-yen denominated borrowings to *negative from stable but has* confirmed the Aa1 designation for the company's long-term debt.

The agency said the downgrade was in response to the sovereign re-rating from Aaa to Aa1. Its outlook on Toyota's long-term yen denominated debt remains stable.

The re-rating of Toyota, Japan's biggest car manufacture with 40 per cent of the domestic market, follows Moody's warning this week it was considering downgrading the debt of Nissan and Mitsubishi Motors, the second and third biggest car groups in Japan, to non-investment status from Baa3 – effectively junk bond status.

Moody's has in recent months downgraded the debt ratings on nearly all of the big five because of tough conditions in Japan and Asia. In August, it lowered Toyota's long-term debt rating to Aa1 from Aaa.

Toyota, along with Japan's other leading carmakers, are suffering from a sharp fall in demand at home and abroad. The domestic and Asian markets account for about half of Toyota's total business.

Japanese manufacturers have reported robust sales in Asia in recent years and have been hit hard by the regional economic malaise. Their problems have been compounded by the slump in the Japanese economy.

## NEWS DIGEST

JAPAN

### TSE to cut size of minimum tradable lots

The Tokyo Stock Exchange is to reduce the size of minimum tradable lots of Japanese government bonds from Y1m to Y100,000 to attract more individual investors into the market. According to the TSE, the measure is designed to lessen the impact of the revised Securities Exchange Law, which comes into force next month. Under the new rules, securities firms will no longer be required to forward clients' orders for less than Y10m to the exchange and could trade over the counter.

By reducing the size of small lots, the TSE is responding to the growing competition from over-the-counter traders and aims to boost the volume of trade in small lots at the exchange. However Sally Wilkinson at Daiwa Europe said that by lowering the ceiling of tradable units, the TSE was also seeking to encourage individual households to invest in government bonds, rather than taking money out of the country because of the low confidence in Japanese domestic financial institutions.

Separately, the TSE said it was dropping two of its five future contracts, because the low volume of trading could not justify the cost of listing them individually. The TSE will not replace its fourth and fifth month contracts which expire on December 11, 1999 and March 12, 1999.
Arkady Ostrovsky

EMERGING MARKETS

### Too many analysts

There are too many equity analysts working on emerging markets, according to a survey of fund managers published by Reuters yesterday. The survey, carried out by Tempest Consultants, showed that there was a strong consolidation taking place in emerging market equities with analysts most directly in the firing line.

More than three-quarters of analysts (totalling 2,696 individuals) cited in the survey failed to get a vote from fund managers said Tempest. This reflected both the lower level of activity in emerging market portfolio investment and over-capacity in the broking sector. Edward Luce

BANKING

### HSBC loses 60 jobs in London

HSBC, the London-based international banking group, is to cut 60 jobs from its HSBC Midland treasury and foreign exchange dealing subsidiary.

The bank said 20 dealers would leave immediately out of the 1,200 staff in London, with another 40 to be lost mostly from back office staff. "Our strategy reflects the reality of market conditions," HSBC said. George Graham

# Fannie Mae in £250m offer

INTERNATIONAL BONDS

By Edward Luce, Capital Markets Editor

The international bonds markets were subdued in advance of the Federal Reserve's open market committee meeting yesterday although a small handful of borrowers kept the primary side ticking over.

Fannie Mae took advantage of the relatively quiet dollar sector to launch what could grow into a new five-year benchmark in sterling.

The £250m offering, which is a long way short of Fannie Mae's £1.2bn outstanding 2002 sterling benchmark, was priced at the fairly generous spread of 68 basis points over its benchmark, owing to the fact it was priced over the December 2003 rather than the June 2003 gilt.

This was equivalent to pricing the bond at a spread of 54 basis points over the latter because of the inversion of the UK yield curve.

The deal was driven by nonUK demand according to an official at Morgan Stanley Dean Witter, sole lead manager.

John Hancock, the US mutual life assurer, captured some Swiss and French institutional demand with a 10-year DM500m offering. The bond, priced at 78 basis points over the benchmark, was trading flat last night.

DSM, the Dutch chemicals company, is set to make its debut in D-Marks today.

Others apparently contemplating new issues include Rolls Royce in sterling and the International Finance Corporation in five-year dollars.

"We expect most dollar deals to come in five years in the next few weeks," said one trader.

## New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| LBCMT 1998-C4(a) | 1,899bn | - | - | - | - | - | Lehman Brothers |
| Merrill Lynch & Co | 1bn | 6⅝(a)# | 99.509R | Nov 2018 | 0.675R | +151(5¼-27) | Merrill Lynch |
| Merrill Lynch & Co | 500 | 6.00(a)# | 99.804R | Nov 2004 | 0.375R | +125(7⅝-04) | Merrill Lynch |
| Wool Finance 1998-1(b)‡ | 115 | (b1) | 100.00R | Oct 2004 | 0.375R | - | Merrill Lynch |
| **D-MARKS** | | | | | | | |
| John Hancock Global Fndg | 500 | 4.75 | 98.59R | Dec 2008 | 0.375R | +78(5¼Jan08) | CSFB |
| **STERLING** | | | | | | | |
| Fannie Mae | 250 | 5.50# | 99.711R | Dec 2003 | 0.25R | +68(6½Dec03) | Morgan Stanley DW |
| BNG | 100 | 5.375(a) | 98.56 | Jun 2021 | 0.45 | +70(8%Jun21) | Merrill Lynch Intl |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Province of Ontario | 250 | 6.254 | 98.326R | Dec 2008 | 0.325R | +90(8¾Nov08) | TD Securities |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Lehman Brothers Commercial Mortgage Trust. Multi-tranche asset-backed. b) Secured on trade receivables originated by Chargeurs. Av life: 5.8 yrs. b1) 3-mth Libor +80bp. a) Short 1st coupon.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| Nov 17 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 01/01 | 8.750 | 105.3373 | 4.81 | -0.03 | +0.04 | +0.42 | -0.41 |
| | 08/08 | 8.750 | 127.2816 | 5.18 | - | +0.02 | +0.29 | -0.84 |
| Austria | 07/00 | 5.875 | 103.5800 | 3.80 | -0.03 | +0.01 | +0.09 | -0.91 |
| | 01/08 | 5.000 | 104.8000 | 4.35 | -0.04 | +0.05 | +0.04 | -1.27 |
| Belgium | 01/00 | 4.000 | 100.5700 | 3.48 | -0.03 | -0.03 | +0.09 | -0.86 |
| | 03/08 | 5.750 | 110.2800 | 4.38 | -0.02 | -0.02 | +0.05 | -1.34 |
| Canada | 12/00 | 5.000 | 100.4900 | 4.76 | -0.09 | -0.07 | +0.40 | +0.80 |
| | 06/08 | 6.000 | 106.2800 | 5.18 | -0.04 | -0.03 | +0.34 | -0.29 |
| Denmark | 11/00 | 8.000 | 109.3400 | 3.98 | -0.01 | - | -0.23 | -0.78 |
| | 11/07 | 7.000 | 117.1000 | 4.63 | -0.03 | -0.05 | -0.11 | -1.47 |
| Finland | 01/00 | 11.000 | 107.0745 | 3.08 | -0.01 | +0.05 | +0.18 | -1.30 |
| | 04/08 | 6.000 | 111.7780 | 4.44 | -0.03 | -0.04 | -0.08 | -1.32 |
| France | 07/00 | 4.000 | 100.7800 | 3.50 | -0.03 | +0.04 | +0.12 | -0.85 |
| | 10/05 | 7.750 | 122.9000 | 3.91 | -0.01 | -0.01 | +0.07 | -1.38 |
| | 10/08 | 8.500 | 133.9000 | 4.24 | -0.03 | -0.04 | +0.01 | -1.35 |
| | 04/29 | 5.500 | 104.9700 | 5.18 | -0.01 | -0.04 | - | [illegible] |
| Germany | 08/00 | 4.000 | 100.6600 | 3.53 | - | +0.07 | +0.17 | -0.86 |
| | 10/05 | 6.500 | 114.5000 | 4.04 | -0.03 | -0.02 | +0.08 | -1.29 |
| | 07/08 | 4.750 | 104.6400 | 4.16 | -0.02 | -0.03 | +0.09 | -1.43 |
| | 01/28 | 5.625 | 106.4300 | 5.19 | - | -0.04 | +0.02 | -1.01 |
| Ireland | 10/01 | 6.500 | 107.5300 | 3.73 | -0.02 | +0.03 | +0.03 | -1.74 |
| | 08/06 | 8.000 | [illegible] | 4.42 | -0.02 | -0.02 | -0.02 | -1.86 |
| Italy | 04/01 | 4.500 | 101.7400 | 3.72 | -0.01 | +0.02 | +0.03 | -1.54 |
| | 07/03 | 4.500 | 102.4900 | 3.92 | -0.01 | -0.02 | -0.02 | -1.66 |
| | 05/08 | 5.000 | 104.3100 | 4.43 | -0.01 | -0.02 | -0.01 | -1.63 |
| | 11/27 | 6.500 | [illegible] | 5.40 | -0.01 | -0.03 | -0.04 | -1.19 |
| Japan | 12/00 | 6.900 | 113.7900 | 0.23 | - | - | -0.20 | -0.11 |
| | 12/02 | 4.100 | 117.9900 | 0.55 | -0.07 | - | -0.17 | -0.65 |
| | 09/08 | 1.800 | 108.3200 | 0.89 | +0.01 | +0.06 | -0.01 | -0.80 |
| | 03/18 | 2.700 | 119.6800 | 1.58 | +0.02 | +0.05 | +0.05 | -1.04 |
| Netherlands | 05/00 | 8.000 | 107.5800 | 3.54 | +0.01 | +0.04 | +0.13 | -0.79 |
| | 07/08 | 5.250 | 107.8300 | 4.24 | -0.04 | -0.05 | +0.09 | -1.32 |
| New Zealand | 02/01 | 8.000 | 105.5529 | 5.27 | -0.04 | -0.07 | +0.19 | -1.71 |
| | 07/09 | 7.000 | 110.8559 | 5.63 | -0.01 | +0.01 | +0.20 | -1.11 |
| Norway | 01/99 | 9.000 | 100.0800 | 7.98 | +0.04 | +0.13 | +0.06 | +3.49 |
| | 01/07 | 6.750 | 107.2000 | 5.58 | +0.02 | -0.01 | -0.03 | -0.21 |
| Portugal | 03/00 | 5.375 | 102.2700 | 3.58 | +0.02 | -0.01 | +0.15 | -1.40 |
| | 06/08 | 5.375 | 106.8300 | 4.45 | -0.02 | -0.04 | +0.04 | -1.47 |
| Spain | 04/00 | 6.750 | 104.3500 | 3.47 | -0.05 | -0.03 | +0.06 | -1.27 |
| | 01/08 | 6.000 | 111.2800 | 4.46 | -0.02 | -0.04 | -0.02 | -1.44 |
| Sweden | 05/00 | 10.250 | 108.8770 | 3.80 | -0.01 | -0.13 | -0.48 | -1.29 |
| | 05/08 | 6.500 | 114.3570 | 4.50 | -0.05 | -0.09 | -0.18 | -1.79 |
| Switzerland | 08/00 | 4.500 | 104.5800 | 1.47 | -0.03 | -0.01 | +0.22 | -0.82 |
| | 01/08 | 4.250 | 114.0500 | 2.51 | -0.05 | -0.08 | -0.20 | -1.12 |
| UK | 11/01 | 7.000 | 104.7700 | 5.24 | -0.04 | +0.04 | +0.12 | -1.88 |
| | 12/03 | 6.500 | 107.1200 | 4.89 | -0.06 | -0.01 | +0.03 | -1.85 |
| | 10/08 | 9.000 | 131.8200 | 4.60 | -0.05 | -0.09 | -0.17 | -1.72 |
| | 12/28 | 6.000 | 123.7000 | 4.55 | -0.04 | -0.14 | -0.32 | -1.59 |
| US | 09/00 | 4.500 | 99.9070 | 4.56 | -0.09 | -0.04 | +0.71 | -1.18 |
| | 08/03 | 5.250 | 102.8538 | 4.57 | -0.04 | - | +0.56 | -1.30 |
| | 05/08 | 5.625 | 105.5192 | 4.69 | -0.02 | -0.01 | +0.46 | -0.95 |
| | 08/28 | 5.500 | 102.9677 | 5.30 | -0.02 | -0.03 | +0.34 | -0.82 |
| ECU | 07/00 | 4.000 | 100.6600 | 3.57 | -0.01 | +0.06 | +0.13 | -1.11 |
| | 04/08 | 5.250 | 107.5300 | 4.26 | -0.03 | -0.03 | +0.02 | -1.46 |

London closing. * New York mid day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

### 10 YEAR BENCHMARK SPREADS

| Nov 17 | Bid Yield | Spread vs Bunds | Spread vs T-Bonds |
|---|---|---|---|
| Australia | 5.16 | +1.05 | +0.33 |
| Austria | [illegible] | +0.17 | -0.65 |
| Belgium | 4.41 | +0.30 | -0.42 |
| Canada | 5.16 | +1.05 | +0.33 |
| Denmark | 4.60 | +0.49 | -0.23 |
| Finland | 4.49 | +0.38 | -0.34 |
| France | 4.24 | +0.13 | -0.59 |
| Germany | 4.11 | - | -0.72 |
| Ireland | 4.44 | +0.33 | -0.39 |
| Italy | 4.53 | +0.42 | -0.30 |
| Japan | 0.91 | -3.20 | -3.92 |
| Netherlands | 4.22 | +0.11 | -0.61 |
| New Zealand | 5.64 | +1.53 | +0.81 |
| Norway | 5.57 | +1.46 | +0.74 |
| Portugal | 4.51 | +0.40 | -0.32 |
| Spain | 4.57 | +0.46 | -0.26 |
| Sweden | 4.61 | +0.50 | -0.22 |
| Switzerland | 2.59 | -1.52 | -2.24 |
| UK | 4.92 | +0.81 | +0.09 |
| US | 4.83 | +0.72 | - |
| ECU | 4.32 | +0.21 | -0.51 |

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

### EMERGING MARKET BONDS

| Nov 17 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd vs US |
|---|---|---|---|---|---|---|---|---|
| **EUROPE** | | | | | | | | |
| Croatia | 02/02 | 7.000 | BBB- | 91.0361 | 10.29 | -0.15 | -0.11 | +5.78 |
| Poland | 07/04 | 7.125 | [illegible] | 103.3968 | 6.38 | -0.02 | [illegible] | +1.80 |
| Russia | 06/07 | 10.000 | n/a | 23.2770 | 47.00 | -1.82 | -6.15 | +42.24 |
| **LATIN AMERICA** | | | | | | | | |
| Argentina | 09/27 | 9.750 | BB | 86.3120 | 11.37 | -0.04 | [illegible] | +6.12 |
| Brazil | 05/27 | 10.125 | BB- | 73.5000 | 13.89 | -0.33 | -0.74 | +8.84 |
| Mexico | 05/26 | 11.500 | BB | 105.7500 | 10.84 | -0.03 | -0.21 | +5.61 |
| **ASIA** | | | | | | | | |
| China | 07/06 | 7.750 | [illegible] | 103.6664 | 7.10 | - | -1.20 | +2.40 |
| Philippines | 10/16 | 8.750 | BB+ | 94.2408 | 9.42 | -0.15 | -2.02 | +4.42 |
| Thailand | 04/07 | 7.750 | BBB- | 91.0642 | 9.30 | +0.06 | -1.55 | +4.54 |
| **AFRICA/MIDDLE EAST** | | | | | | | | |
| Lebanon | 07/00 | 9.125 | BB- | 103.6115 | 6.75 | -0.15 | -0.02 | +2.24 |
| South Africa | 10/06 | 8.375 | BB+ | 85.9642 | 10.49 | -0.02 | -1.10 | +5.79 |
| Turkey | 09/07 | 10.000 | B | 92.6250 | 11.35 | -0.52 | -2.06 | +6.59 |
| **BRADY BONDS** | | | | | | | | |
| Argentina | 03/23 | 5.750 | BB | 70.8750 | 8.95 | +0.02 | -0.01 | +3.79 |
| Brazil | 04/14 | 5.000 | BB- | 63.7500 | 12.99 | -0.13 | +0.24 | +8.03 |
| Mexico | 12/19 | 6.250 | BB | 76.2500 | 8.73 | -0.10 | -0.12 | +3.86 |
| Venezuela | 03/20 | 6.750 | B+ | 84.6250 | 11.11 | -0.20 | +1.08 | +6.02 |

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

### BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 108.95 | 109.24 | +0.22 | 109.32 | 108.95 | 41,142 | 90,215 |

LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Dec | Calls - | Calls - | Puts Dec | Puts - | Puts - |
|---|---|---|---|---|---|---|
| 107 | 2.00 | - | - | 0.03 | - | - |
| 108 | 1.17 | - | - | 0.10 | - | - |
| 109 | 0.43 | - | - | 0.36 | - | - |
| 110 | 0.11 | - | - | 1.04 | - | - |

Est. vol. total, Calls 4,780 Puts 1,880. Previous day's open int., Calls 31,680 Puts 38,134.

Germany

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 112.42 | 112.58 | +0.20 | 112.72 | 112.38 | 247,719 | 623,970 |
| Mar | 113.00 | 113.17 | +0.28 | 113.24 | 113.00 | 4,243 | 32,607 |

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Dec | Calls Jan | Calls Feb | Puts Dec | Puts Jan | Puts Feb |
|---|---|---|---|---|---|---|
| 11250 | 0.35 | 1.10 | 1.33 | 0.28 | 0.49 | 0.72 |
| 11300 | 0.14 | 0.81 | 1.06 | 0.57 | 0.70 | 0.94 |
| 11350 | 0.05 | 0.55 | 0.81 | 0.98 | 0.97 | 1.20 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 8485 Puts 4830

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 107.85 | 107.79 | +0.13 | 107.85 | 107.65 | 90,800 | 264,182 |
| Mar | 107.65 | 107.72 | +0.19 | 107.73 | 107.58 | 8,375 | 15,678 |

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 99.98 | 100.00 | +0.19 | 99.98 | 99.98 | 100 | 1265 |
| Mar | | 98.74 | +0.19 | | | 0 | 0 |

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 99.30 | 99.24 | +0.17 | [illegible] | 99.27 | 175 | 1575 |
| Mar | | 98.89 | +0.17 | | | 0 | 0 |

Also traded on APT. All Open interest figs. are for previous day

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 110.52 | 110.64 | +0.08 | 110.84 | 110.47 | 13108 | 62477 |
| Mar | 110.55 | 110.84 | +0.08 | 110.65 | 110.55 | 200 | 2710 |

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Dec | Calls Jan | Puts Dec | Puts Jan |
|---|---|---|---|---|
| 11050 | 0.49 | 0.75 | 0.36 | 0.71 |
| 11100 | 0.26 | 0.52 | 0.62 | 0.98 |
| 11150 | 0.12 | 0.35 | 0.98 | 1.31 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 716 Puts 2403

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 114.42 | 114.40 | +0.17 | 114.57 | [illegible] | 25,754 | 47,071 |
| Mar | - | 113.80 | +0.17 | - | - | - | - |

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | | 107.79 | +0.16 | | | 0 | 1571 |
| Mar | | 107.94 | +0.16 | | | 0 | 0 |

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 115.50 | 115.49 | +0.34 | 115.63 | 115.35 | 32690 | 114945 |
| Mar | 115.63 | 115.63 | +0.38 | 115.74 | 115.53 | 3003 | [illegible] |

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

| Strike Price | Calls Dec | Calls Jan | Calls Feb | Puts Dec | Puts Jan | Puts Feb |
|---|---|---|---|---|---|---|
| 11500 | 0.79 | 1.52 | 1.98 | 0.30 | 0.89 | 1.36 |
| 11550 | 0.50 | 1.25 | 1.73 | 0.51 | 1.12 | 1.60 |
| 11600 | 0.33 | 1.01 | 1.49 | 0.84 | [illegible] | 1.85 |

Est. vol. total, Calls 3252 Puts 200. Previous day's open int., Calls 45053 Puts 25575

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 127-07 | 127-16 | - | 127-19 | 127-02 | 102,471 | 631,919 |
| Mar | 126-25 | 127-07 | - | 127-07 | 126-29 | 18,536 | 163,094 |
| Jun | - | 126-24 | - | - | - | 80 | [illegible] |

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 138.99 | 139.15 | | 139.15 | 138.99 | 1598 | ns |
| Mar | 138.24 | 138.37 | | 138.34 | 138.24 | 851 | ns |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) Ecu100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 103.35 | 103.70 | +0.17 | 103.70 | 103.35 | 61 | - |

### US CORPORATE BONDS

| Nov 16 | Red date | Coupon | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd v Govts |
|---|---|---|---|---|---|---|---|---|
| **UTILITIES** | | | | | | | | |
| Pac Bell | 07/02 | 7.25 | AA- | 105.0556 | 5.41 | +0.05 | +0.30 | +0.88 |
| NY Tel | 08/25 | 7.00 | A+ | 101.0768 | 6.90 | +0.02 | +0.05 | +1.63 |
| CWE | 05/08 | 8.00 | BBB | [illegible] | 6.13 | +0.03 | +0.14 | +1.29 |
| **FINANCIALS** | | | | | | | | |
| GECC | 05/07 | 8.75 | AAA | 119.9540 | 5.75 | +0.04 | +0.45 | +0.91 |
| Banc One | 09/02 | 7.25 | A | 105.4527 | 5.69 | +0.06 | +0.10 | +1.06 |
| CNA Fin | 01/18 | 6.95 | A- | 93.8852 | 7.55 | +0.02 | +0.43 | +2.25 |
| **INDUSTRIALS** | | | | | | | | |
| WMX Tech | 04/99 | 8.25 | BBB+ | 100.1144 | 5.88 | +0.02 | +0.72 | +1.54 |
| Wal Mart | 05/02 | 8.75 | AA | 104.9108 | 5.19 | +0.04 | +0.35 | +0.88 |
| Dayton Hud | 08/21 | 9.70 | BBB+ | 130.9880 | 6.95 | +0.02 | +0.14 | +1.88 |
| **AGENCIES** | | | | | | | | |
| FHLMC | 04/07 | 7.14 | N/A | 111.3349 | 5.44 | - | +0.28 | +0.60 |
| SLMA | 03/00 | 7.50 | N/A | 102.9646 | 5.11 | - | +0.56 | +0.54 |
| FNMA | 02/18 | 8.95 | N/A | 135.8972 | 5.82 | +0.03 | -0.06 | +0.55 |
| FFCB | 08/06 | [illegible] | N/A | 121.7125 | 5.40 | - | +0.28 | +0.66 |
| **HIGH YIELD** | | | | | | | | |
| Stone Cont | 02/01 | [illegible] | B | 100.5000 | 0.00 | - | - | - |
| AK Stl | 12/01 | 9.13 | BB- | 106.0000 | 0.00 | - | - | - |
| Pacalta | 06/04 | 10.75 | B- | 87.0000 | 0.00 | - | - | - |

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

### US INTEREST RATES

| Close | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| Prime rate | 8 | One month | [illegible] | Two year | 4.55 |
| Broker loan rate | 6¾ | Two month | - | Three year | 4.55 |
| Fed.funds | 4¾ | Three month | 4.41 | Five year | 4.56 |
| Fed.funds at intervention | 5¼ | Six month | 4.49 | 10-year | 4.67 |
| | | One year | 4.48 | 30-year | 5.29 |

### INTERNATIONAL BONDS

| Nov 17 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Govts |
|---|---|---|---|---|---|---|---|---|
| **EURO DM** | | | | | | | | |
| EIB | 02/07 | 5.750 | AAA | 109.6061 | 4.34 | -0.03 | +0.05 | +0.14 |
| Spain | 01/07 | 5.750 | AA | 109.0000 | 4.41 | -0.02 | +0.06 | [illegible] |
| Philip Morris | 03/04 | [illegible] | A | 103.9000 | 4.53 | -0.04 | +0.03 | [illegible] |
| Finland FRN | 09/02 | 3.531 | AA | [illegible] | 3.13 | -0.05 | +0.05 | -0.57 |
| **EURO FFR** | | | | | | | | |
| Austria | 01/04 | 5.600 | AAA | 108.9600 | 3.98 | -0.03 | +0.06 | +0.13 |
| Abbey Nat | 02/04 | 6.000 | AA | 109.9200 | 4.07 | -0.03 | +0.10 | +0.22 |
| Cred Foncier | 02/04 | 9.125 | A | 122.0580 | 4.33 | -0.02 | +0.07 | +0.48 |
| SCF FRN | 12/01 | 3.617 | AA- | [illegible] | 3.52 | -0.02 | +0.10 | -0.08 |
| **EURO LIRA** | | | | | | | | |
| EIB | 02/07 | 7.000 | AAA | 117.4200 | 4.43 | -0.02 | +0.03 | +0.01 |
| Abbey Nat | 02/02 | 6.800 | AA | [illegible] | 3.86 | -0.04 | +0.03 | +0.10 |
| Walt Disney | 06/00 | 8.625 | A | 106.6400 | 4.06 | -0.03 | +0.02 | +0.30 |
| EIB FRN | 03/01 | 4.743 | AAA | 100.0466 | 3.52 | -0.01 | +0.01 | -0.26 |
| **EURO £** | | | | | | | | |
| EIB | 12/07 | [illegible] | AAA | 114.9100 | 5.49 | - | -0.34 | +0.63 |
| Dresdner Bk | 12/07 | 7.750 | AA- | 105.5989 | 6.73 | -0.04 | -0.11 | +1.88 |
| British Gas | 03/00 | 7.625 | A+ | 101.5855 | 6.33 | -0.02 | -0.06 | +0.88 |
| Abbey Nat FRN | 02/02 | 7.900 | AA | 100.3400 | 8.03 | -0.03 | -0.15 | -0.01 |
| **EURO $** | | | | | | | | |
| EIB | 04/07 | 7.250 | AAA | 112.0400 | 5.42 | -0.01 | +0.29 | +0.66 |
| ABN Amro | 06/07 | 7.125 | AA- | 104.4978 | 6.42 | -0.07 | +0.42 | +1.66 |
| Quebec | 01/07 | 7.000 | A+ | 107.8627 | 5.78 | -0.06 | +0.42 | +1.02 |
| Citicorp FRN | 02/04 | 5.750 | A+ | 96.5888 | 6.52 | -0.05 | +0.38 | +1.54 |
| **EURO C$** | | | | | | | | |
| Bayer L-BA | 08/04 | 9.500 | AAA | 119.2656 | 5.48 | -0.05 | +0.20 | +0.17 |
| Toronto | 06/04 | 8.500 | AA+ | 114.2995 | 5.42 | -0.05 | +0.19 | +0.11 |
| Bell Canada | 07/99 | 10.625 | A+ | 103.3039 | 5.20 | -0.09 | [illegible] | +0.06 |
| Deutsche B FRN | 09/02 | 5.875 | AA+ | 101.3736 | [illegible] | -0.08 | +0.28 | +0.31 |
| **EURO YEN** | | | | | | | | |
| World Bank | 09/02 | 5.250 | AAA | 118.1787 | 0.36 | -0.01 | -0.17 | -0.15 |
| Spain | 03/02 | 5.750 | AA | 117.6102 | 0.43 | -0.01 | -0.10 | -0.08 |
| Cred Foncier | 06/02 | 4.750 | A | [illegible] | 0.90 | -0.01 | -0.10 | +0.41 |
| Italy FRN | 07/99 | 0.461 | AA | 100.0772 | 0.18 | +0.01 | +0.17 | +0.01 |

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

## UK BONDS

### FTSE Actuaries Govt. Securities

| Price indices UK Gilts | Tue Nov 17 | Day's change % | Mon Nov 16 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (17) | 121.39 | 0.10 | 121.27 | 2.35 | 8.77 |
| 2 5-15 years (20) | 172.76 | [illegible] | 172.53 | 3.00 | 8.92 |
| 3 Over 15 years (4) | 229.15 | 0.48 | 228.04 | [illegible] | 8.20 |
| 4 Irredeemables (6) | 308.12 | 0.72 | 308.90 | 0.64 | 14.86 |
| 5 All stocks (48) | [illegible] | 0.26 | 184.34 | [illegible] | 9.03 |
| **Index-linked** | | | | | |
| 6 Up to 5 years (2) | 225.16 | 0.01 | 225.15 | 0.38 | 5.92 |
| 7 Over 5 years (9) | 247.68 | 0.04 | 247.59 | 1.38 | 5.98 |
| 8 All stocks (11) | 243.37 | 0.03 | 243.29 | [illegible] | 5.93 |

UK Indices

| | Low coupon yield Nov 17 | Nov 16 | Yr. ago | Medium coupon yield Nov 17 | Nov 16 | Yr. ago | High coupon yield Nov 17 | Nov 16 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 5.03 | 5.08 | 6.80 | 5.09 | 5.15 | 6.92 | 5.04 | 5.08 | 6.94 |
| 15 yrs | 4.67 | 4.72 | 6.65 | 4.84 | 4.88 | 6.66 | 4.88 | 4.92 | 6.73 |
| 20 yrs | 4.80 | 4.84 | 6.66 | 4.79 | 4.83 | 6.62 | 4.88 | 4.92 | 6.72 |
| Irred.† | 4.88 | 4.92 | 6.72 | | | | | | |

| | Inflation 5% Nov 17 | Nov 16 | Yr. ago | Inflation 10% Nov 17 | Nov 16 | Yr. ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 2.22 | 2.31 | 3.30 | [illegible] | 1.63 | 2.54 |
| Over 5 yrs | 2.23 | 2.26 | 3.21 | 2.02 | 2.06 | 2.90 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT Fixed Interest Indices

| | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Nov 11 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 112.37 | 112.02 | 111.91 | 111.59 | 111.14 | 99.13 | 112.59 | 93.31 |
| Fixed Interest | 152.24 | 151.78 | 151.44 | 151.10 | 150.38 | 130.56 | 151.77 | 115.32 |

© FTSE International Ltd 1998. All rights reserved. * for 1998. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75) Fixed Interest high since compilation: 151.02 (18/09/98), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

## UK GILTS PRICES

| | Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| **Shorts" (Lives up to Five Years)** | | | | | | | |
| Exch 12pc 1998 | | 12.00 | - | 100.0000xd | - | 104.42 | 100.00 |
| Treas 9½pc 1999 | | 9.46 | 6.61 | 100.4254 | -.0109 | 102.63 | 100.43 |
| Treas Flg Rate 1999 | | - | - | 100.0463 | -.0105 | 100.28 | 100.02 |
| Exch 12¼pc 1999 | | 12.01 | 6.30 | 102.0165 | -.0056 | 106.34 | 102.02 |
| Treas 10½pc 1999 | | 10.29 | 6.22 | 102.0532xd | -.0005 | 104.98 | 102.06 |
| Treas 6pc 1999 | | 6.01 | 6.14 | 99.8849 | +.0155 | 99.98 | 98.27 |
| Conv 10¼pc 1999 | | 9.84 | 5.89 | 104.1390xd | +.0152 | 106.46 | 103.82 |
| Treas 9½pc 2000 | ☆ | 8.25 | 5.84 | 103.0381 | +.0259 | 103.84 | 101.81 |
| Conv 9pc 2000 | | 8.66 | 5.78 | 103.9181 | +.0259 | 105.02 | 102.66 |
| Treas 13pc 2000 | | 11.67 | 5.67 | 111.3809 | +.0425 | 114.83 | 110.58 |
| Treas 8pc 2000 | | 7.62 | 5.42 | 104.9290 | [illegible] | 105.56 | 102.22 |
| Treas Flg Rate 2001 | | - | [illegible] | [illegible] | -.0090 | 100.81 | 100.17 |
| Treas 10pc 2001 | | 9.14 | 5.53 | 109.3907 | +.0654 | 110.32 | 107.11 |
| Conv 9½pc 2001 | ☆ | 8.66 | 5.60 | 109.6457 | +.0654 | 110.42 | 106.73 |
| Conv 9¾pc 2001 | ☆ | 8.82 | 5.58 | 110.5527 | [illegible] | [illegible] | [illegible] |
| Treas 7pc 2001 | | 6.68 | 5.23 | 104.7989 | +.0863 | [illegible] | [illegible] |
| Exch 12pc 1999-2 | ☆ | 11.92 | 6.88 | 100.6600 | -.0100 | 105.17 | 100.01 |
| Conv 10pc 2002 | ☆ | 8.72 | 5.23 | 114.6160 | +.1522 | 116.38 | 110.98 |
| Treas 7pc 2002 | | 6.60 | 5.12 | 106.0213 | +.1407 | 107.14 | 100.73 |
| Conv 9½pc 2002 | ☆ | 8.35 | 5.25 | 113.6750 | [illegible] | 115.36 | 109.76 |
| Treas 9¾pc 2002 | | 8.46 | 5.25 | 115.2380 | +.1522 | 116.92 | 111.19 |
| Exch 9pc 2002 | ☆ | 7.94 | 5.26 | 113.3790xd | [illegible] | 114.65 | 108.63 |
| Conv 9¾pc 2003 | ☆ | 8.28 | 5.27 | 117.7720 | +.1522 | 119.93 | 112.78 |
| Treas 8pc 2003 | | 7.14 | 5.02 | 111.9801 | +.1986 | 113.65 | 105.48 |
| Treas 10pc 2003 | | 8.28 | 5.08 | 120.7155 | +.2037 | 122.74 | 114.95 |
| Treas 13¼pc 2000-3 | ☆ | 12.19 | 5.63 | 112.7946 | +.0425 | 116.71 | 112.14 |
| **Five to Fifteen Years** | | | | | | | |
| Treas 6½pc 2003 | | 6.07 | 4.89 | 107.1219 | +.2124 | 108.58 | 100.50 |
| Treas 11½pc 2001-4 | | 10.20 | 6.55 | 112.7829 | +.0588 | 114.41 | 110.60 |
| Treas 10pc 2004 | ☆ | 8.11 | 5.11 | 123.3205xd | +.2037 | 125.21 | 116.42 |
| Funding 3½pc 1999-4 | | 3.59 | 3.90 | 97.6153 | +.1839 | 98.98 | 88.82 |
| Conv 9½pc 2004 | | 7.76 | 5.06 | 122.4742 | +.2859 | 124.55 | 115.10 |
| Treas 6¾pc 2004 | | 6.17 | 4.81 | 109.4476 | +.2789 | [illegible] | 100.35 |
| Conv 9½pc 2005 | | 7.66 | 5.06 | 124.0744 | +.2853 | [illegible] | 115.96 |
| Exch 10½pc 2005 | ☆ | 8.01 | 5.04 | 131.0964 | +.2853 | 133.25 | 122.74 |
| Treas 12½pc 2003-5 | | 9.42 | 6.04 | 132.6613xd | +.2094 | 134.90 | 127.40 |
| Treas 8½pc 2005 | | 7.04 | 4.98 | 120.7437 | [illegible] | 122.93 | 111.34 |
| Conv 9¾pc 2006 | ☆ | 7.43 | 4.98 | 131.1774 | +.3510 | [illegible] | [illegible] |
| Treas 7½pc 2006 | | 6.43 | 4.96 | 116.6560 | +.3276 | 119.06 | 106.00 |
| Treas 7¾pc 2006 | | 6.59 | 5.00 | 117.5268 | +.3392 | 119.96 | 107.33 |
| Treas 8pc 2002-6 | | 7.30 | 5.22 | 109.6055 | [illegible] | 110.03 | 104.38 |
| Treas 11¾pc 2003-7 | ☆ | 9.46 | 5.21 | 124.1910 | +.1522 | 125.92 | 119.61 |
| Treas 8½pc 2007 | | 6.83 | 4.98 | 124.4724 | +.3610 | 127.29 | 113.20 |
| Treas 7¼pc 2007 | | 6.18 | 4.88 | 117.3547 | +.3524 | 120.28 | [illegible] |
| Treas 13½pc 2004-8 | ☆ | 9.70 | 4.99 | 139.2382 | +.2833 | 141.61 | 133.48 |
| Treas 9pc 2008 | | 6.83 | 4.90 | 131.8212 | +.3914 | 135.17 | 119.25 |
| Treas 8pc 2009 | | 6.32 | 4.84 | 126.6092 | +.1532 | 129.48 | 112.01 |
| Treas 5¾pc 2009 | | 5.32 | 4.80 | 108.1164 | +.4129 | 110.83 | 99.38 |
| Treas 6¼pc 2010 | | 5.56 | 4.87 | 112.4483xd | +.4280 | 115.56 | 97.10 |
| Conv 9pc Ln 2011 | | 6.51 | 4.91 | 138.1966 | +.5031 | [illegible] | 121.37 |
| Treas 9pc 2012 | | 6.41 | 4.91 | 140.4100 | +.5289 | 144.30 | 122.35 |
| Treas 5½pc 2008-12 | | 5.18 | 4.71 | 106.2162 | +.3137 | 109.14 | [illegible] |
| Treas 8pc 2013 | | 6.04 | 4.85 | 132.4798 | +.6565 | 136.43 | 113.81 |
| Treas 7¾pc 2012-15 | | 6.11 | 4.95 | 126.8984 | +.4998 | 130.50 | 110.21 |
| **Over Fifteen Years** | | | | | | | |
| Treas 8pc 2015 | | 5.85 | 4.82 | 136.7469 | +.6082 | 141.24 | 115.65 |
| Treas 8¾pc 2017 | | 5.90 | 4.81 | 148.4184 | +.6731 | 153.14 | 124.19 |
| Exch 12pc 2013-17 | ☆ | 6.88 | 4.90 | 174.0716 | +.5031 | 178.60 | 159.03 |
| Treas 8pc 2021 | | 5.51 | 4.72 | 145.2462 | +.7170 | 150.23 | 118.28 |
| Treas 6pc 2028 | | 4.85 | 4.95 | 123.7390 | +.6940 | 129.81 | 99.88 |
| **Undated** | | | | | | | |
| Consols 4pc | | 5.04 | - | 79.2899 | +.5446 | 82.66 | 58.88 |
| War Loan 3½pc | | 4.84 | - | 72.3103 | +.5117 | 77.19 | 53.41 |
| Conv 3½pc '61 Aft | | 3.92 | - | 89.3103 | +.5117 | 94.19 | 68.81 |
| Treas 3pc '66 Aft | | 5.30 | - | 56.5930 | +.3939 | 59.05 | 42.97 |
| Consols 2½pc | | 4.85 | - | 51.5530 | +.3939 | 54.05 | 37.67 |
| Treas. 2½pc | | 4.95 | - | 50.4852 | +.3817 | 53.84 | 37.25 |

| Index-Linked (b) | Notes | Yield (1) | Yield (2) | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| 2½pc '99 | ☆ | 0.26 | 1.40 | 197.7998xd | -.0069 | 197.99 | 186.10 |
| 2½pc '01 | (78.3) | 2.26 | 2.69 | 203.3346 | -.0060 | 205.46 | 192.51 |
| 2½pc '03 | (78.8) | 2.19 | 2.45 | 205.6572xd | [illegible] | 205.90 | 189.68 |
| 4⅛pc '04 | (135.6) | 2.12 | 2.34 | 132.4851 | +.0043 | 132.63 | 122.57 |
| 2pc '06 | (69.5) | 2.17 | 2.33 | 227.1432 | [illegible] | 227.14 | 202.58 |
| 2½pc '09 | (78.8) | 2.22 | 2.34 | 206.1589xd | +.0414 | 208.18 | 184.80 |
| 2½pc '11 | (74.6) | 2.25 | 2.30 | 219.9101 | +.0472 | 219.91 | 192.15 |
| 2½pc '13 | (89.2) | 2.28 | 2.37 | 184.4983 | +.0568 | 184.50 | 159.48 |
| 2½pc '16 | (81.6) | 2.24 | 2.35 | 202.8799 | +.0806 | 202.88 | 172.10 |
| 2½pc '20 | (83.0) | 2.24 | 2.32 | 200.9240 | [illegible] | 200.92 | 169.61 |
| 2½pc '24 | (97.7) | 2.20 | 2.31 | 172.8940 | +.0920 | 172.89 | 139.55 |
| 4⅛pc '30 | (135.1) | 2.17 | 2.25 | 170.8775 | +.0894 | 170.88 | 136.98 |

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for March 1998: 163.8 and for October 1998: 164.5.

### Other Fixed Interest

| | Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| Asian Dev 10¼pc 2009 | | 7.65 | 5.88 | 133$\frac{15}{16}$ | — | 137$\frac{1}{16}$ | 126$\frac{13}{16}$ |
| B'ham 11½pc 2012 | | 7.67 | 6.30 | 150 | — | 154½ | 132½ |
| Leeds 13½pc 2006 | | 9.38 | - | 144 | — | 148½ | 138½ |
| Liverpool 3½pc Irred | | 5.93 | - | 59 | | 64 | 49 |
| LCC 3pc '20 Aft | | 5.77 | - | 52d | — | 56 | 42 |
| Manchester 11½pc 2007 | | 8.27 | 5.90 | 139 | — | 148½ | 128½ |
| Met. Wtr 3pc 'B' | | 3.28 | 4.85 | 92 | — | 92 | 85 |
| N'wide Anglia 3⅝pc IL 2021 | | - | 3.17 | 180 | — | 187⅝ | 172¼ |
| 4⅛pc IL 2024 | | - | 3.18 | 178$\frac{3}{16}$ | — | 187½ | 154$\frac{5}{16}$ |

● 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ☆ Indicative price.

هكذا من الاصل

TSE to cut size of minimum tradable lots

Too many analysts

HSBC ... jobs in London

صكتا من الاجل



# Fed rate cut soothes market's nerves

**MARKETS REPORT**

By Alan Beattie

The Federal Reserve cut US interest rates yesterday by 25 basis points, reassuring the markets that it would continue to help the international financial system and US domestic economy out of trouble.

The decision was announced after the end of London trading hours, at which the dollar had closed at Y120.9, up from Monday's close of Y119.8. After the decision the dollar bounced against the yen, sterling and the D-Mark, falling and then recovering immediately.

■ Yesterday's decision by the Federal Reserve had been more than usually closely watched by market participants seeking guidance on the Fed's view not only of the US economy but also of the fragility of the world's markets.

Since the Fed's emergency intra-meeting cut of 25 basis points in interest rates on October 15 amid fears of an extreme credit squeeze, indicators have generally ceased to flash red with quite such urgency. Credit spreads have narrowed somewhat and equity prices have risen.

Expectations of a rate cut were heightened yesterday by a story in the Washington Post saying Fed members were worried about the effects of lower growth in Latin America.

"That story gave quite a fillip to the Eurodollar curve," said Philip Shaw, chief economist at Investec in London. But Mr Shaw noted that the market did not expect an aggressive easing in early 1999.

**■ POUND IN NEW YORK**

| Nov 17 | —Latest— | — Prev. close — |
|---|---|---|
| £ spot | 1.6785 | 1.6765 |
| 1 mth | 1.6759 | 1.6742 |
| 3 mth | 1.6719 | 1.6701 |
| 1 yr | 1.6514 | 1.6561 |

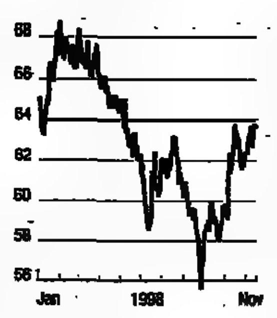
■ The dollar rose against the yen in Asian trading yesterday after credit rating agency Moody's downgraded the quality of Japanese government bonds.

Although the decision had been widely expected and flagged in advance by Moody's, some strategists said such a step seemed inexplicable. "It is difficult to understand this move," said one analyst at a Japanese bank: "You can't have it both ways, calling for remedial action and then downgrading government bonds when it happens. But then credit agency economists are not exactly the highest-paid in the business," he added.

■ The Australian dollar lost ground in Asian trading yesterday with the finger of blame variously being pointed at the fall in the yen, an IMF report viewed by some as supporting Australian interest rate cuts and technical factors.

**Australian dollar**

Against the US dollar (US¢ per A$)




Source: Datastream/ICV

Although the currency steadied in European trading, it finished trading in Europe at $0.6335 against the dollar, compared with $0.6402 on Monday.

"The spur to sell was the fall in the yen following the Moody's downgrade," said Tim Harris, market strategist at National Australia Bank in London.

"But many investors have been holding the Australian dollar hoping it would manage to break above the $0.64 level. It has failed to do so, and the yen's fall gave those who were looking to sell an excuse," he said.

The Australian dollar has climbed steadily against the dollar from a low of around $0.56 in late August to the $0.64 level in recent days.

The IMF's report, released on Tuesday, revealed that some IMF directors believed that an easing of monetary policy could be accommodated by the Australian economy, provided that inflation stayed under control.

**■ OTHER CURRENCIES**

| Nov 17 | £ | $ |
|---|---|---|
| Czech Rp | 48.8424 - 48.9203 | 29.7480 - 29.7850 |
| Hungary | 362.068 - 363.271 | 216.580 - 216.710 |
| Iran | 5038.90 - 5058.87 | 3000.00 - 3000.00 |
| Kuwait | 0.5070 - 0.5078 | 0.3026 - 0.3029 |
| Peru | 5.1726 - 5.1781 | 3.0870 - 3.0890 |
| Poland | 5.7641 - 5.7732 | 3.4400 - 3.4440 |
| Russia | 30.8010 - 31.5144 | 18.4000 - 18.8000 |
| U.A.E. | 6.1541 - 6.1572 | 3.6728 - 3.6731 |

Peter Costello, the Australian Treasurer, was quick to point out that IMF directors were split over whether the Reserve Bank of Australia (RBA) could prudently cut interest rates.

Much of the debate centred around how much past weakness in the Aussie would be reflected in future inflation.

Mr Harris said that "the IMF report agreed with some sentiment in Australia itself that an easing is on the cards."

"Our view is that an easing is not likely until the new year, but what the Fed does in the meantime could impinge directly on that," he said.

Mr Harris added that the performance of the Australian dollar itself could influence how soon the expected loosening could appear, with a strong currency increasing the chances of the RBA squeezing in a rate cut before the year end.

## POUND SPOT FORWARD AGAINST THE POUND

| Nov 17 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 19.6841 | +0.0086 | 753 - 925 | 19.6928 | 19.6208 | 19.6223 | 3.8 | 19.5198 | 3.3 | 19.1484 | 2.7 | 109.7 |
| Belgium | (BFr) | 57.7198 | +0.101 | 742 - 653 | 57.7653 | 57.5518 | 57.5422 | 3.7 | 57.2407 | 3.3 | 56.1544 | 2.7 | 109.7 |
| Denmark | (DKr) | 10.6383 | +0.0201 | 307 - 418 | 10.6418 | 10.6081 | 10.6136 | 2.8 | 10.5698 | 2.6 | 10.4128 | 2.1 | 107.7 |
| Finland | (FM) | 8.5063 | +0.0143 | 012 - 114 | 8.5114 | 8.4830 | 8.4808 | 3.6 | 8.436 | 3.8 | 8.2724 | 2.7 | 83.1 |
| France | (FFr) | 9.3812 | +0.0154 | 785 - 841 | 9.3859 | 9.3484 | 9.3525 | 3.7 | 9.3034 | 3.3 | 9.1272 | 2.7 | 107.3 |
| Germany | (DM) | 2.7976 | +0.0052 | 966 - 986 | 2.8001 | 2.7874 | 2.7893 | 3.7 | 2.7752 | 3.2 | 2.7228 | 2.7 | 108.4 |
| Greece | (Dr) | 471.302 | +1.229 | 026 - 577 | 471.893 | 467.758 | 473.047 | -4.4 | 475.98 | -4.0 | 487.518 | -3.6 | 82.0 |
| Ireland | (I£) | 1.1250 | +0.0010 | 238 - 271 | 1.1271 | 1.1218 | 1.1236 | 3.2 | 1.1182 | 3.1 | 1.095 | 2.7 | 98.7 |
| Italy | (L) | 2769.34 | +6.19 | 826 - 042 | 2771.92 | 2759.47 | 2761.82 | 3.3 | 2747.96 | 3.1 | 2697.1 | 2.6 | 78.6 |
| Luxembourg | (LFr) | 57.7198 | +0.101 | 742 - 653 | 57.7653 | 57.5510 | 57.5422 | 3.7 | 57.2407 | 3.3 | 56.1544 | 2.7 | 109.7 |
| Netherlands | (Fl) | 3.1544 | -0.0009 | 521 - 588 | 3.1556 | 3.1450 | 3.1441 | 3.9 | 3.1274 | 3.4 | 3.0682 | 2.7 | 103.2 |
| Norway | (NKr) | 12.4769 | -0.011 | 740 - 795 | 12.5165 | 12.4281 | 12.491 | -1.4 | 12.5136 | -1.1 | 12.5426 | -0.6 | 93.2 |
| Portugal | (Es) | 286.663 | +0.258 | 477 - 848 | 287.000 | 286.099 | 285.808 | 3.6 | 284.296 | 3.3 | 278.865 | 2.7 | 82.9 |
| Spain | (Pta) | 237.892 | +0.147 | 600 - 783 | 238.110 | 237.060 | 237.052 | 3.2 | 235.897 | 3.0 | 231.398 | 2.6 | 77.8 |
| Sweden | (SKr) | 13.4917 | -0.0049 | 865 - 029 | 13.5532 | 13.3865 | 13.4544 | 3.3 | 13.3896 | 3.0 | 13.1682 | 2.4 | 79.3 |
| Switzerland | (SFr) | 2.3027 | +0.0007 | 013 - 041 | 2.3080 | 2.2846 | 2.2911 | 6.0 | 2.2714 | 5.4 | 2.1984 | 4.5 | 108.2 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 100.9 |
| Ecu | - | 1.4221 | +0.0005 | 213 - 229 | 1.4229 | 1.4178 | 1.4189 | 3.2 | 1.4111 | 3.1 | 1.3845 | 2.7 | - |
| SDR† | - | 1.199800 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6787 | +0.0005 | 783 - 790 | 1.6795 | 1.6722 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.9932 | +0.0008 | 946 - 958 | 2.0009 | 1.9814 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.5968 | -0.0093 | 972 - 998 | 2.6092 | 2.5971 | 2.5944 | 1.8 | 2.597 | 1.8 | 2.5625 | 1.4 | 79.3 |
| Mexico | (New Peso) | 16.5757 | -0.0303 | 838 - 876 | 16.7180 | 16.6414 | 17.0344 | -25.8 | 17.8029 | -27.0 | 20.7597 | -24.5 | - |
| USA | ($) | 1.6780 | +0.0005 | 758 - 783 | 1.6798 | 1.6725 | 1.6733 | 1.9 | 1.6683 | 1.8 | 1.6542 | 1.3 | 108.3 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.6458 | +0.0087 | 439 - 482 | 2.6542 | 2.6081 | 2.6406 | 2.2 | 2.6321 | 2.0 | 2.6061 | 1.5 | 90.3 |
| Hong Kong | (HK$) | 12.9768 | +0.0035 | 733 - 804 | 13.0063 | 12.9527 | 12.9684 | 1.6 | 12.9582 | 0.5 | 13.1348 | -1.2 | - |
| India | (Rs) | 71.1483 | +0.1846 | 126 - 841 | 71.2860 | 70.8520 | - | - | - | - | - | - | - |
| Indonesia | (Rupiah) | 12619.92 | -197.3 | 349 - 835 | 12745.80 | 12312.00 | 13202.62 | -55.4 | 14122.19 | -47.6 | 17097.52 | -35.4 | - |
| Israel | (Shk) | 6.9557 | -0.0164 | 398 - 736 | 6.9738 | 6.9466 | - | - | - | - | - | - | - |
| Japan | (Y) | 202.698 | +1.956 | [illegible] | 204.860 | 201.150 | 201.603 | 7.1 | 199.203 | 6.9 | 190.608 | 6.0 | 125.3 |
| Malaysia | (M$)‡ | 6.3698 | +0.0021 | [illegible] | 6.3691 | 6.3558 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 3.1301 | +0.0208 | 255 - 427 | 3.1502 | 3.1144 | 3.1319 | 2.7 | 3.1204 | 2.4 | 3.1014 | 1.2 | 91.7 |
| Philippines | (Peso) | 66.8705 | -0.357 | 688 - 520 | 67.0520 | 66.8600 | 67.2302 | -7.5 | 68.2171 | -8.1 | 71.6384 | -7.4 | - |
| Saudi Arabia | (SR) | 6.2898 | +0.0015 | [illegible] - 676 | 6.3001 | 6.2744 | 6.2788 | 1.4 | 6.2711 | 0.9 | 6.2568 | 0.5 | - |
| Singapore | (S$) | 2.7398 | +0.0081 | 371 - 398 | 2.8197 | 2.7288 | 2.7273 | 4.9 | 2.7083 | 4.4 | 2.6589 | 2.9 | - |
| South Africa | (R) | 9.5448 | +0.0527 | 385 - 526 | 9.5633 | 9.4999 | 9.6401 | -12.0 | 9.8126 | -11.2 | 10.5825 | -10.9 | - |
| South Korea | (Won) | 2186.19 | -19.12 | 371 - 866 | 2208.27 | 2163.31 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 54.5136 | -0.0627 | 972 - 300 | 54.6371 | 54.4166 | 54.5703 | -1.2 | 54.6669 | -0.6 | 54.6316 | -0.2 | - |
| Thailand | (Bt) | 61.0684 | -0.0658 | 816 - 860 | 66.1850 | 66.8320 | 61.0646 | 0.1 | 61.2028 | -1.1 | 62.6924 | -2.8 | - |

† Rates for Nov 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Nov 17 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J P Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.7480 | +0.0183 | 422 - 478 | 11.7651 | 11.6980 | 11.7265 | 1.9 | 11.6925 | 1.8 | 11.5765 | 1.4 | 103.8 |
| Belgium | (BFr) | 34.4400 | +0.05 | 300 - 600 | 34.4600 | 34.2870 | 34.388 | 1.8 | 34.2905 | 1.7 | 33.9475 | 1.4 | 103.6 |
| Denmark | (DKr) | 6.3464 | +0.0101 | 444 - 484 | 6.3543 | 6.3181 | 6.3426 | 0.7 | 6.3319 | 0.9 | 6.2949 | 0.8 | 106.6 |
| Finland | (FM) | 5.0755 | +0.007 | 735 - 775 | 5.0790 | 5.0520 | 5.0682 | 1.7 | 5.0537 | 1.7 | 5.001 | 1.5 | 82.2 |
| France | (FFr) | 5.5976 | +0.0076 | 870 - 981 | 5.6040 | 5.5710 | 5.5892 | 1.8 | 5.5734 | 1.7 | 5.5178 | 1.4 | 106.9 |
| Germany | (DM) | 1.6694 | +0.0026 | 690 - 697 | 1.6715 | 1.6614 | 1.6669 | 1.8 | 1.6624 | 1.7 | 1.6458 | 1.4 | 105.9 |
| Greece | (Dr) | 281.215 | +0.55 | 110 - 320 | 281.490 | 279.090 | 282.7 | -6.3 | 285.14 | -5.6 | 294.965 | -4.9 | 81.8 |
| Ireland | (I£) | 1.4898 | -0.002 | 873 - 923 | 1.4964 | 1.4873 | 1.4915 | -1.4 | 1.4955 | -1.5 | 1.5108 | -1.4 | - |
| Italy | (L) | 1652.40 | +3.2 | 210 - 270 | 1653.80 | 1643.52 | 1650.5 | 1.4 | 1646.2 | 1.5 | 1630.5 | 1.3 | 76.2 |
| Luxembourg | (LFr) | 34.4400 | +0.05 | 300 - 600 | 34.4500 | 34.2870 | 34.388 | 1.8 | 34.2905 | 1.7 | 33.9475 | 1.4 | 103.6 |
| Netherlands | (Fl) | 1.8807 | +0.0028 | 819 - 894 | 1.8840 | 1.8732 | 1.8791 | 2.0 | 1.8736 | 1.8 | 1.8549 | 1.5 | 103.0 |
| Norway | (NKr) | 7.4446 | -0.0088 | 445 - 447 | 7.4725 | 7.4029 | 7.4648 | -3.3 | 7.4958 | -2.7 | 7.5826 | -1.9 | 91.9 |
| Portugal | (Es) | 171.045 | +0.065 | 970 - 120 | 171.180 | 170.450 | 170.804 | 1.7 | 170.31 | 1.7 | 168.585 | 1.4 | 90.4 |
| Spain | (Pta) | 141.725 | +0.045 | 600 - 850 | 142.110 | 141.250 | 141.565 | 1.3 | 141.31 | 1.5 | 139.89 | 1.4 | 77.5 |
| Sweden | (SKr) | 8.0562 | -0.0232 | 452 - 652 | 8.0975 | 7.9710 | 8.0405 | 1.4 | 8.0213 | 1.4 | 7.9507 | 1.1 | 81.1 |
| Switzerland | (SFr) | 1.3740 | +0.0018 | 734 - 745 | 1.3778 | 1.3687 | 1.3692 | 4.2 | 1.3608 | 3.9 | 1.3291 | 3.3 | 107.9 |
| UK | (£) | 1.6780 | +0.0005 | 758 - 763 | 1.6798 | 1.6725 | 1.6733 | 1.9 | 1.6686 | 1.6 | 1.6542 | 1.3 | 100.4 |
| Ecu | - | 1.1785 | -0.0018 | 782 - 788 | 1.1844 | 1.1782 | 1.1798 | -1.3 | 1.183 | -1.5 | 1.195 | -1.4 | - |
| SDR† | - | 0.71680 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9998 | -0.0001 | 998 - 999 | 0.9998 | 0.9996 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.1906 | +0.0001 | 904 - 908 | 1.1913 | 1.1902 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.5505 | -0.006 | 500 - 510 | 1.5548 | 1.5492 | 1.5504 | 0.0 | 1.5487 | 0.2 | 1.5492 | 0.1 | 74.8 |
| Mexico | (New Peso) | 9.8500 | -0.021 | 450 - 550 | 9.9690 | 9.8400 | 10.18 | -27.7 | 10.565 | -28.7 | 12.65 | -28.1 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 107.4 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.5785 | +0.0168 | 773 - 798 | 1.5869 | 1.5736 | 1.5777 | 0.6 | 1.5751 | 0.9 | 1.5644 | 0.9 | 80.8 |
| Hong Kong | (HK$) | 7.7430 | -0.0002 | 425 - 435 | 7.7430 | 7.7405 | 7.7455 | -0.4 | 7.7615 | -1.0 | 7.9405 | -2.6 | - |
| India | (Rs) | 42.4525 | +0.0075 | 400 - 650 | 42.4650 | 42.3500 | 42.8825 | -12.2 | 43.7025 | -11.8 | 46.9475 | -10.6 | - |
| Indonesia | (Rupiah) | 7530.00 | -120 | 000 - 000 | 7810.00 | 7350.00 | 7890 | -57.4 | 8460 | -49.4 | 10330 | -37.2 | - |
| Israel | (Shk) | 4.1500 | -0.0111 | 417 - 001 | 4.1601 | 4.1430 | - | - | - | - | - | - | - |
| Japan | (Y) | 120.945 | +1.185 | 900 - 990 | 122.350 | 119.790 | 120.42 | 5.2 | 119.33 | 5.3 | 115.17 | 4.8 | 127.4 |
| Malaysia | (M$)‡ | 3.8000 | - | 300 - 700 | 3.8002 | 3.8000 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 1.8780 | +0.0155 | 715 - 745 | 1.8779 | 1.8577 | 1.8761 | -2.0 | 1.8815 | -1.8 | 1.9003 | -1.5 | - |
| Philippines | (Peso) | 39.9000 | -0.225 | 000 - 000 | 40.0000 | 39.8000 | 40.2135 | -9.4 | 40.865 | -9.7 | 43.4250 | -8.8 | - |
| Saudi Arabia | (SR) | 3.7505 | -0.0002 | 502 - 507 | 3.7507 | 3.7502 | 3.7522 | -0.6 | 3.7568 | -0.7 | 3.782 | -0.8 | - |
| Singapore | (S$) | 1.6345 | +0.005 | 335 - 345 | 1.6400 | 1.6237 | 1.6298 | 3.6 | 1.6224 | 2.8 | 1.608 | 1.6 | - |
| South Africa | (R) | 5.6950 | +0.0297 | 850 - 050 | 5.7050 | 5.6500 | 5.781 | -13.9 | 5.8763 | -12.9 | 6.3975 | -12.5 | - |
| South Korea | (Won) | 1304.45 | -11.8 | 300 - 590 | 1316.00 | 1303.00 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 32.5270 | -0.069 | 240 - 300 | 32.5300 | 32.5240 | 32.612 | -3.1 | 32.702 | -2.2 | 33.027 | -1.5 | - |
| Thailand | (Bt) | 36.4500 | -0.05 | 000 - 000 | 36.5000 | 36.2500 | 36.505 | -1.8 | 36.7 | -2.7 | 37.9 | -4.0 | - |

† SDR rate per $ for Nov 16. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 3.80 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 16. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| Nov 17 | Over night | One month | Three mths | Six mths | One year | Lomb. inter | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3⅝ | 3½ | 3⅝ | 3⅝ | 3⅝ | 6.00 | 2.75 | - |
| France | 3⅛ | 3⅝ | 3⅝ | 3⅝ | 3⅝ | 4.60 | - | 3.30 |
| Germany | 3⅝ | 3⅝ | 3⅝ | 3½ | 3⅝ | 4.50 | 2.50 | 3.30 |
| Ireland | 3⅝ | 3⅝ | 3⅝ | 3⅝ | 3⅝ | - | - | 3.69 |
| Italy | 3⅞ | 3⅝ | 3⅝ | 3⅝ | 3⅝ | 6.50 | 5.00 | 5.12 |
| Netherlands | 3¼ | 3⅝ | 3½ | 3½ | 3½ | - | 2.75 | 3.30 |
| Switzerland | 1¼ | 1½ | 1⅝ | 1⅝ | 1⅝ | - | 1.00 | - |
| US | 5¼ | 5⅛ | 5⅛ | 5⅛ | 5 | - | 5.00 | - |
| Japan | ¼ | ½ | ⅝ | ½ | ⅝ | - | 0.50 | - |
| **■ $ LIBOR BBA London** | | | | | | | | |
| Interbank Fixing | - | 5⅛ | 5⅛ | 5⅛ | 5⅛ | - | - | - |
| US Dollar CDs | - | 4.97 | 4.89 | 4.81 | 4.63 | - | - | - |
| ECU Linked Ds | - | 4 | 3⅞ | 3⅞ | 3⅞ | - | - | - |
| SDR Linked Ds | - | 3⅞ | 3⅞ | 3⅞ | 3⅞ | - | - | - |

London Interbank fixing rate (LIBOR) is the BBA London rate: fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Nov 17 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ |
| Danish Krone | 4⅞ - 4⅝ | 4⅝ - 4½ | 4⅝ - 4½ | 4⅝ - 4½ | 4⅝ - 4½ | 4⅝ - 4½ |
| German Mark | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3½ - 3⅜ | [illegible] |
| Dutch Guilder | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3½ - 3⅜ | [illegible] |
| French Franc | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | [illegible] |
| Portuguese Esc. | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | [illegible] | [illegible] |
| Spanish Peseta | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | [illegible] | [illegible] |
| Sterling | 6⅞ - 6½ | 6⅞ - 6¾ | 7⅛ - 6⅞ | 7⅛ - 6⅞ | 6⅞ - 6⅝ | 6⅝ - 6⅜ |
| Swiss Franc | 1⅛ - 1 | 1⅛ - 1 | 1⅛ - 1 | 1⅝ - 1½ | 1⅝ - 1½ | 1⅝ - 1½ |
| Canadian Dollar | 5⅛ - 5 | 5⅛ - 5 | 5⅛ - 5 | 5⅛ - 5 | [illegible] | [illegible] |
| US Dollar | 5⅛ - 5 | 5⅛ - 4⅞ | 5⅛ - 5 | 5⅛ - 5 | 5⅛ - 5 | [illegible] |
| Italian Lira | 4 - 3¾ | 3⅞ - 3⅝ | 3⅞ - 3⅝ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ |
| Japanese Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | 1½ - 1 | 2⅛ - 1⅞ | 2⅛ - 2 | 2¼ - 2 | 3 - 2½ |

Short term rates are call for the US Dollar and Yen, others: two days' notice

**■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.41 | 96.56 | +0.02 | 96.57 | 96.55 | 3,342 | 62,534 |
| Mar | 96.58 | 96.59 | -0.06 | 96.59 | 96.57 | 1,703 | 44,600 |

**■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.490 | 96.500 | +0.020 | 96.510 | 96.490 | 7481 | 5360 |
| Mar | 96.540 | 96.560 | +0.030 | 96.570 | 96.540 | 37375 | 437251 |
| Jun | 96.560 | 96.590 | +0.040 | 96.600 | 96.560 | 29847 | 303517 |
| Sep | 96.550 | 96.585 | +0.040 | 96.600 | 96.550 | 25860 | 277591 |

**■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | | 96.290 | +0.005 | | | 0 | 4000 |

**■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.300 | 96.310 | +0.030 | 96.310 | 96.290 | 19697 | 194021 |
| Mar | 96.520 | 96.550 | +0.030 | 96.570 | 96.520 | 3381 | 258732 |
| Jun | 96.550 | 96.580 | +0.040 | 96.590 | 96.550 | 2018 | 75514 |
| Sep | 96.540 | 96.570 | +0.040 | 96.500 | 96.540 | 665 | 46133 |

**■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 98.450 | 98.460 | +0.030 | 98.470 | 98.420 | 9246 | 59406 |
| Mar | 98.430 | 98.450 | +0.030 | 98.460 | 98.410 | 3801 | 53046 |
| Jun | 98.350 | 98.370 | +0.030 | 98.370 | 98.350 | 574 | 27719 |
| Sep | 98.250 | 98.270 | +0.030 | 98.280 | 98.250 | 369 | 18147 |

**■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | | 99.41 | -0.01 | | | 0 | na |
| Mar | | 99.50 | - | | | 0 | na |
| Jun | 99.56 | 99.56 | +0.01 | 99.56 | 99.56 | 50 | na |

* LIFFE futures also traded on APT

**■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | | 96.500 | +0.160 | | | 0 | 0 |
| Mar | 96.580 | 96.560 | +0.100 | 96.580 | 96.580 | 27 | 6012 |
| Jun | 96.590 | 96.590 | +0.040 | 96.605 | 96.590 | 23 | 2282 |
| Sep | 96.590 | 96.585 | +0.040 | 96.580 | 96.580 | 7 | 1307 |

**■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%**

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 96375 | 0.020 | | | 0.085 | | |
| 96500 | 0.010 | 0.160 | 0.240 | 0.200 | 0.110 | 0.160 |
| 96625 | 0.005 | | | 0.320 | | |

Est. vol. total, Calls 672 Puts 72. Previous day's open int., Calls 73016 Puts 80061

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Nov 17 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.43 | 16.25 | 4.847 | 1.949 | 4796 | 5.465 | 21.62 | 496.6 | 411.8 | 23.37 | 3.990 | 1.732 | 4.502 | 2.904 | 351.2 | 2.484 |
| Denmark | (DKr) | 54.27 | 10 | 8.820 | 2.630 | 1.058 | 2604 | 2.966 | 11.73 | 269.5 | 223.5 | 12.68 | 2.165 | 0.940 | 2.443 | 1.576 | 190.6 | 1.337 |
| France | (FFr) | 61.53 | 11.34 | 10 | 2.982 | 1.199 | 2952 | 3.363 | 13.30 | 305.6 | 253.4 | 14.38 | 2.455 | 1.066 | 2.770 | 1.786 | 216.1 | 1.516 |
| Germany | (DM) | 20.63 | 3.802 | 3.353 | 1 | 0.402 | 989.8 | 1.127 | 4.459 | 102.5 | 84.96 | 4.822 | 0.823 | 0.357 | 0.929 | 0.599 | 72.45 | 0.508 |
| Ireland | (I£) | 51.31 | 9.455 | 8.339 | 2.487 | 1 | 2462 | 2.804 | 11.09 | 254.8 | 211.3 | 11.99 | 2.047 | 0.889 | 2.310 | 1.490 | 180.2 | 1.264 |
| Italy | (L) | 2.084 | 0.384 | 0.339 | 0.101 | 0.041 | 100 | 0.114 | 0.451 | 10.35 | 8.583 | 0.487 | 0.083 | 0.036 | 0.094 | 0.061 | 7.319 | 0.051 |
| Netherlands | (Fl) | 18.30 | 3.372 | 2.974 | 0.887 | 0.357 | 877.9 | 1 | 3.955 | 90.88 | 75.35 | 4.277 | 0.730 | 0.317 | 0.824 | 0.531 | 64.26 | 0.451 |
| Norway | (NKr) | 46.26 | 8.525 | 7.519 | 2.242 | 0.902 | 2220 | 2.528 | 10 | 229.8 | 190.5 | 10.81 | 1.846 | 0.801 | 2.083 | 1.343 | 162.5 | 1.140 |
| Portugal | (Es) | 20.14 | 3.710 | 3.273 | 0.976 | 0.392 | 966.1 | 1.100 | 4.352 | 100 | 82.92 | 4.706 | 0.803 | 0.349 | 0.906 | 0.585 | 70.71 | 0.496 |
| Spain | (Pta) | 24.28 | 4.475 | 3.947 | 1.177 | 0.473 | 1165 | 1.327 | 5.249 | 120.6 | 100 | 5.676 | 0.969 | 0.421 | 1.093 | 0.705 | 85.28 | 0.598 |
| Sweden | (SKr) | 42.79 | 7.884 | 6.953 | 2.074 | 0.834 | 2053 | 2.338 | 9.248 | 212.5 | 176.2 | 10 | 1.707 | 0.741 | 1.926 | 1.242 | 150.2 | 1.054 |
| Switzerland | (SFr) | 25.07 | 4.618 | 4.074 | 1.215 | 0.489 | 1203 | 1.370 | 5.418 | 124.5 | 103.2 | 5.859 | 1 | 0.434 | 1.128 | 0.728 | 88.02 | 0.618 |
| UK | (£) | 57.72 | 10.64 | 9.382 | 2.798 | 1.125 | 2769 | 3.155 | 12.48 | 286.7 | 237.7 | 13.49 | 2.303 | 1 | 2.599 | 1.676 | 202.7 | 1.422 |
| Canada | (C$) | 22.21 | 4.093 | 3.610 | 1.077 | 0.433 | 1066 | 1.214 | 4.801 | 110.3 | 91.47 | 5.192 | 0.886 | 0.385 | 1 | 0.645 | 78.00 | 0.547 |
| USA | ($) | 34.44 | 6.346 | 5.598 | 1.669 | 0.671 | 1652 | 1.882 | 7.445 | 171.0 | 141.8 | 8.050 | 1.374 | 0.597 | 1.551 | 1 | 120.9 | 0.848 |
| Japan | (Y) | 28.48 | 5.247 | 4.628 | 1.380 | 0.555 | 1366 | 1.556 | 6.155 | 141.4 | 117.3 | 6.656 | 1.136 | 0.493 | 1.282 | 0.827 | 100 | 0.702 |
| Ecu | - | 40.59 | 7.480 | 6.597 | 1.968 | 0.791 | 1948 | 2.218 | 8.774 | 201.6 | 167.2 | 9.488 | 1.619 | 0.703 | 1.827 | 1.179 | 142.5 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

**■ D-MARK FUTURES (IMM) DM 125,000 per DM**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.5999 | 0.6008 | +0.0008 | 0.6021 | 0.5948 | 38,336 | 99,983 |
| Mar | 0.6031 | 0.6033 | +0.0008 | 0.6045 | 0.5960 | 131 | 1,813 |
| Jun | 0.6049 | 0.6042 | -0.0007 | 0.6060 | 0.6042 | 1 | 1,170 |

**■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.7299 | 0.7316 | +0.0013 | 0.7320 | 0.7302 | 11,798 | 41,678 |
| Mar | 0.7400 | 0.7385 | +0.0016 | 0.7385 | 0.7369 | 31 | 614 |
| Jun | - | 0.7435 | - | 0.7445 | 0.7410 | 6 | 33 |

**■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.8349 | 0.8327 | -0.0021 | 0.8398 | 0.8190 | 21,318 | 77,897 |
| Mar | 0.8462 | 0.8444 | -0.0017 | 0.8505 | 0.8256 | 280 | 6,053 |
| Jun | - | 0.8590 | +0.0018 | 0.8600 | 0.8550 | 26 | 3,253 |

**■ STERLING FUTURES (IMM) £62,500 per £**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1.6738 | 1.6758 | +0.0014 | 1.6770 | 1.6608 | 7,240 | 50,088 |
| Mar | 1.6694 | 1.6700 | +0.0016 | 1.6700 | 1.6690 | 399 | 1,776 |
| Jun | - | 1.6620 | -0.0004 | 1.6650 | - | 4 | 1,202 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Nov 17 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7 - 6½ | 6¾ - 6⅝ | 7 - 6¾ | 7 - 6¾ | 6¾ - 6⅝ | 6⅝ - 6½ |
| Sterling CDs | - | - | 6⅞ - 6¾ | 6⅞ - 6¾ | 6¾ - 6⅝ | 6⅝ - 6½ |
| Treasury Bills | - | - | 6¾ - 6⅝ | 6⅝ - 6½ | - | - |
| Bank Bills | - | - | 6⅞ - 6¾ | 6¾ - 6⅝ | 6½ - 6⅜ | - |
| Local authority deps. | 6⅞ - 6½ | 6⅞ - 6¾ | 6⅞ - 6¾ | 6⅞ - 6¾ | 6⅝ - 6½ | 6⅝ - 6½ |
| Discount Market deps | 6¾ - 6½ | 6¾ - 6½ | - | - | - | - |

UK clearing bank base lending rate 6¾ per cent from Nov 5, 1998

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 4 | 6.5 | 5.5 | 5.25 | 5.25 |

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Nov 13, 6.3781pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 30, 1998. Agreed rate for period Nov 25, 1998 to Dec 25, 1998, Scheme III 8.47pc. Reference rate for period Oct 1, 1998 to Oct 30, 1998, Schemes IV & V 7.227pc. Finance House Base Rate 7½pc for Nov 1998.

**■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.190 | 93.200 | +0.020 | 93.220 | 93.170 | 23161 | 199491 |
| Mar | 93.700 | 93.720 | +0.040 | 93.750 | 93.690 | 19316 | 166284 |
| Jun | 94.040 | 94.070 | +0.050 | 94.090 | 94.030 | 13890 | 141741 |
| Sep | 94.210 | 94.230 | +0.050 | 94.250 | 94.200 | 10060 | 144527 |
| Dec | 94.190 | 94.220 | +0.050 | 94.230 | 94.180 | 6029 | 141347 |

Also traded on APT. All Open interest figs. are for previous day

**■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 93000 | 0.220 | 0.755 | 1.125 | 0.020 | 0.035 | 0.055 |
| 93125 | 0.125 | | | 0.050 | | |
| 93250 | 0.060 | 0.545 | 0.905 | 0.110 | 0.075 | 0.085 |
| 93375 | 0.025 | | | 0.200 | | |
| 93500 | 0.010 | 0.360 | 0.705 | 0.310 | 0.140 | 0.138 |
| 93625 | 0.005 | | | 0.430 | | |

Est. vol. total, Calls 9812 Puts 33977. Previous day's open int., Calls 653552 Puts 598146

### EMS EUROPEAN CURRENCY UNIT RATES

| Nov 17 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Greece | 357.000 | 329.755 | +0.174 | -7.63 | 7.28 | 61 |
| Denmark | 7.54257 | 7.44392 | +0.00002 | -1.31 | 0.40 | 8 |
| Ireland | 0.796244 | 0.787528 | +0.000404 | -1.09 | 0.19 | 7 |
| Spain | 168.220 | 166.493 | +0.036 | -1.02 | 0.11 | 7 |
| Italy | 1957.61 | 1937.89 | +0.88 | -1.01 | 0.10 | 7 |
| France | 6.63186 | 6.56582 | +0.00067 | -1.00 | 0.09 | 8 |
| Germany | 1.97738 | 1.95795 | +0.00025 | -0.98 | 0.07 | 10 |
| Finland | 6.01125 | 5.95314 | -0.00024 | -0.97 | 0.06 | 6 |
| Austria | 13.9119 | 13.7786 | +0.0035 | -0.97 | 0.06 | 7 |
| Belgium | 40.7844 | 40.3883 | +0.0049 | -0.97 | 0.06 | 7 |
| Portugal | 202.692 | 200.798 | +0.041 | -0.93 | 0.02 | 6 |
| Netherlands | 2.22799 | 2.20769 | +0.00035 | -0.91 | 0.00 | 7 |
| **NON ERM MEMBERS** | | | | | | |
| UK | 0.653644 | 0.700379 | -0.000629 | 7.15 | -7.52 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

**■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)**

| Strike Price | CALLS Nov | CALLS Dec | CALLS Jan | PUTS Nov | PUTS Dec | PUTS Jan |
|---|---|---|---|---|---|---|
| 1.670 | 1.49 | 2.22 | 2.58 | 1.07 | 1.95 | 2.51 |
| 1.680 | 0.94 | 1.79 | 2.21 | 1.48 | 2.44 | 2.98 |
| 1.690 | 0.70 | 1.39 | 1.80 | 2.11 | 2.98 | 3.57 |

Previous day's vol., Calls 16 Puts 122 . Prev. day's open int., Calls 548 Puts 3,883

**■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 (cents per DM)**

| Strike Price | CALLS Nov | CALLS Dec | CALLS Jan | PUTS Nov | PUTS Dec | PUTS Jan |
|---|---|---|---|---|---|---|
| 0.595 | 0.92 | 1.28 | 1.37 | 0.40 | 0.67 | 0.92 |
| 0.600 | 0.63 | 1.00 | 1.11 | 0.60 | 0.89 | 1.15 |
| 0.605 | 0.41 | 0.77 | 0.89 | 0.88 | 1.16 | 1.43 |

Previous day's vol., Calls 149 Puts 45 . Prev. day's open int., Calls 2,292 Puts 10,522

**■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.79 | 94.84 | +0.05 | 94.79 | 94.76 | 67,912 | 487,067 |
| Mar | 95.17 | 95.23 | +0.04 | 95.20 | 95.14 | 70,082 | 499,392 |
| Jun | 95.19 | 95.27 | - | 95.23 | 95.16 | 53,876 | 411,882 |

**■ US TREASURY BILL FUTURES (IMM) $1m per 100%**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.68 | 95.69 | +0.04 | 95.68 | 95.65 | 220 | 1,742 |
| Mar | 96.01 | 96.01 | +0.08 | 95.96 | 95.93 | 35 | 388 |
| Jun | - | 96.04 | - | - | - | 1 | 30 |

All Open interest figs. are for previous day

**■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%**

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | CALLS Mar | PUTS Dec | PUTS Jan | PUTS Feb | PUTS Mar |
|---|---|---|---|---|---|---|---|---|
| 96375 | 0.050 | | | | 0.040 | | | |
| 96500 | 0.025 | 0.130 | 0.145 | 0.160 | 0.140 | 0.070 | 0.085 | 0.100 |
| 96625 | 0.010 | | | | 0.250 | | | |
| 96750 | 0.005 | 0.035 | 0.045 | 0.070 | 0.370 | 0.225 | 0.235 | 0.250 |

Est. vol. total, Calls 34289 Puts 10725. Previous day's open int., Calls 347489 Puts 402043

**■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%**

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 98500 | 0.080 | 0.195 | 0.200 | 0.120 | 0.210 | 0.330 |
| 98625 | 0.030 | | | 0.195 | | |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 13247 Puts 4487

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.75 | Exeter Trust Limited | 7.75 | Smith & Williamson | 6.75 |
| Allied Irish Bank (GB) | 6.75 | Financial & Gen Bank | 8.00 | Sun Bank | 6.75 |
| •Henry Ansbacher | 6.75 | •Robert Fleming & Co | 6.75 | TSB | 6.75 |
| Banco Bilbao Vizcaya | 6.75 | Habib Bank AG Zurich | 6.75 | United Bank of Kuwait | 6.75 |
| Bank of Cyprus | 6.75 | Heritable & Gen Inv Bk | 6.75 | Unity Trust Bank Plc | 6.75 |
| Bank of Ireland | 7.50 | C. Hoare & Co | 6.75 | Whiteaway Laidlaw | 6.75 |
| Bank of India | 6.75 | •Hambros Bank | 6.75 | Yorkshire Bank | 6.75 |
| Bank of Scotland | 6.75 | Hongkong & Shanghai | 6.75 | | |
| Barclays Bank | 6.75 | Investec Bank (UK) Ltd | 6.75 | • Members of London Investment Banking Association | |
| Brit Bk of Mid East | 6.75 | Julian Hodge Bank | 6.75 | | |
| •Brown Shipley & Co Ltd | 6.75 | •Leopold Joseph & Sons | 6.75 | | |
| Citibank NA | 6.75 | Lloyds Bank | 6.75 | | |
| Clydesdale Bank | 6.75 | Midland Bank | 6.75 | | |
| The Co-operative Bank | 6.75 | NatWestminster | 6.75 | | |
| Coutts & Co | 6.75 | •Rea Brothers | 6.75 | | |
| Cyprus Popular Bank | 7.25 | Royal Bk of Scotland | 6.75 | | |
| Duncan Lawrie | 6.75 | Scottish Widows Bank | 6.75 | | |
| | | •Singer & Friedlander | 6.75 | | |

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**PETROLEUM** PRICE COULD FALL TO AS LOW AS $5 A BARREL NEXT YEAR PREDICTS ECONOMIST

# Oil market gloom set to continue

By Robert Corzine

The gloom that has settled over world oil markets is unlikely to lift next year, according to analysts and industry executives.

A combination of an uncertain world economic situation and weak demand in the face of a continuing crude surplus could even briefly push oil prices as low as $5 a barrel, according to Philip Verleger, a US energy economist.

He told the annual Oil and Money conference in London that the futures markets were signalling the existence of an "unusually large overhang" of crude.

That "could lead to further price falls" unless the Organisation of Petroleum Exporting Countries agreed to make big new production cuts at its meeting in Vienna next week.

The warnings from Mr Verleger and other speakers at the conference coincided with oil prices hovering once again towards the lower end of this year's price band of $11-$15. Brent Blend for January delivery was quoted at $11.70 a barrel in late trading on London's International Petroleum Exchange, seven cents up on Monday's close.

Although oil markets have begun to focus on the Opec meeting, there is little expectation that ministers will be able to agree on any dramatic steps.

Luis Giusti, head of Petroleos de Venezuela, the Venezuelan state oil company, yesterday said his country "was not going to cut any more".

He said this year's agreements to cut production made sense, given that "1998 is a year of shock" for oil producers, but they made little sense over the medium to long term.

"Do you have Riyadh pacts 15 years into the future? I don't think so," he said, referring to the March agreement between Saudi Arabia, Mexico and Venezuela to reduce output in an attempt to stabilise prices.

This year's price collapse has triggered intense speculation about possible implications for the structure of the world's oil industry. Many believe it will accelerate the opening of low-cost reserves, such as those in the Middle East, to international investment.

Bill Richardson, US energy secretary, yesterday said he planned to visit Saudi Arabia and Kuwait in January to encourage them to open their upstream sectors to foreign investment.

**METALS** SURVEY SAYS CAR AND ELECTRONIC INDUSTRIES WILL STILL LIFT PALLADIUM AND PLATINUM MARKETS

# Palladium demand outstrips supply

By Kenneth Gooding, Mining Correspondent

The automotive and electronics industries are still using much more palladium than can be produced by the main supplier, Russia, according to Johnson Matthey, the world's biggest palladium and platinum marketing group.

Demand from carmakers, who use palladium in anti-pollution catalysts, will in 1998 increase by more than 30 per cent for the seventh consecutive year, it says.

The electronics industry, however, has made further progress towards reducing its reliance on palladium in components for products such as mobile telephones and laptop computers.

Concerned about potential supply shortages and at the more than doubling in price since the beginning of last year, the of industry has been working hard to use nickel instead.

JM says in its interim review that technical obstacles to using nickel in high specification electronic components have now been overcome.

"However, production lines can not readily be adapted to make nickel [components] and, in the present economic climate, manufacturers appear reluctant to spend large sums on constructing new plants."

The review says total demand for palladium, at a record 8.2m troy ounces, will outpace supply, at 7.19m ounces, by more than 1m ounces this year. Since 1994, Russia has sold about 10m ounces from its stocks to keep pace with demand.

Russia does not reveal the level of its palladium stocks. Mike Steel, JM's market research director, says: "It depends on who you believe among the Russians. There could be stocks for another three or four years or there might be enough for only one more year."

JM says demand for palladium from the electronics industry will fall by 190,000 ounces to 2.36m ounces this year as the use of nickel spreads. However, new car emission limits will boost sales to carmakers this year by 1m ounces, to 4.2m ounces.

Meanwhile, Russian palladium supplies are expected to fall slightly, from 4.8m to 4.6m ounces, leaving total supplies down from 7.25m to 7.19m ounces.

Alison Cowley, author of the JM review, says: "Long-term availability of palladium is becoming a concern for the auto industry, and some companies have sought to secure their supplies by entering into contracts with producers. We also believe that carmakers are accumulating stocks of palladium and our forecast for 1998 allows for modest additions to inventories."

The palladium price soared to a record US$417 an ounce in May because bureaucratic bungling prevented any metal being exported for the first six months of the year.

"Russian sales will remain the key influence on the market over the next six months," says Ms Cowley. "We believe Russia's strategy will be to sell palladium at a rate which supports the price between $250 and $300 an ounce. However, another interruption of supplies in the new year cannot be ruled out."

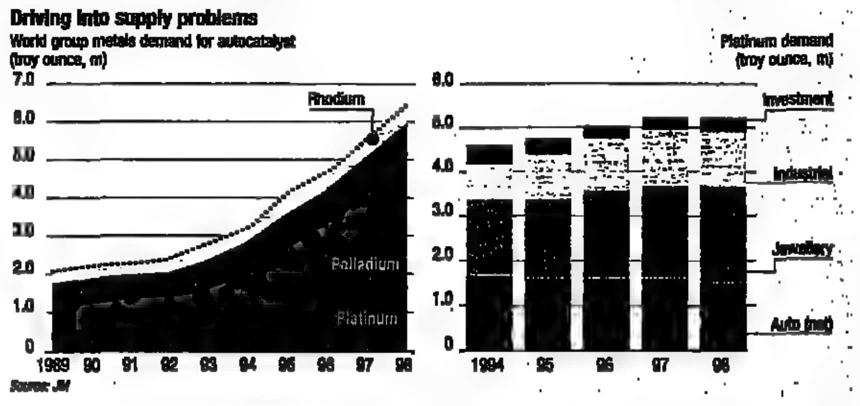
Russia is not so important for platinum, palladium's sister metal. Most platinum is produced in South Africa. JM suggests South Africa will increase its platinum output this year from 3.7m to 3.75m ounces and that total supply will increase from 4.97m to 5.04m ounces.

As palladium is being substituted for platinum in many auto catalysts, total demand for platinum is forecast to fall by 40,000 ounces to 5.13m, leaving a modest supply deficit of 90,000 ounces, down from 200,000 in 1997.

Disruption to Russian supplies sent the platinum price to a peak of $429 an ounce in April but in October it fell to a five-year low of $335 as fears of a worldwide recession hit sentiment.

JM expects platinum to trade between $325 and $375 over the next six months.

*Platinum 1998 Interim Review, from Johnson Matthey, 40 Hatton Garden, London EC1N 8EE, England. Free.*




# Euro coins speculation supports gold price

MARKETS REPORT

By Kenneth Gooding

Gold fell marginally in London yesterday but found support at $293.50 an ounce as news there might be gold euro coins provided some support.

Andy Smith, analyst at Mitsui Bussan Commodities, said: "On undemanding assumptions, the bullion embodied in a gold E100 would exceed that in all commemorative Japanese coins [700 tonnes], the entire issue of krugerrands [more than 1,400 tonnes] and even that in all the Napoleons [French gold coins] issued between 1865 and the first world war [13,000 tonnes]."

He pointed out, however, that the proposal had previously been considered, and rejected, by the European parliament.

"For the past 25 years European politicians have been haggling over an acceptable compromise for the content of chocolate. If the definition of a single European bar proves so sticky, what chance quick progress on a gold euro coin?"

Elsewhere on the London bullion market, platinum and palladium failed to react positively to Johnson Matthey's predictions of tight supplies.

Palladium ended in London down $1.50 a troy ounce from the New York close at $277.50, while platinum fell $3 to $348 an ounce.

On the London Metal Exchange, zinc was helped by a fall in LME stocks of 3,350 tonnes and news that the Crotone smelter in Italy has reduced output prior to its proposed sale. The smelter has annual capacity of 100,000 tonnes.

However, zinc failed to break through resistance at $990 a tonne, closing $7 higher at $983.

**BANANAS** PRODUCTION HURT BY FLOODING

# Producers grow more optimistic

By James Wilson in Tegucigalpa

Banana companies in Honduras, where it was feared Hurricane Mitch had wiped out virtually all of the crop for at least a year, have become more hopeful of a quicker resumption of production.

While damage is still extensive, Standard Fruit, the local subsidiary of US-based Dole, believes 20 per cent of its 6,800 ha of plantations have escaped the worst of the flooding caused by the hurricane.

Juan Manuel Moya, Standard's government relations manager in Honduras, said normal fruit production on those plantations might begin again as early as January next year.

However the main obstacle will be the precarious state of transport, with roads closed by landslips and bridges destroyed. Companies would also face logistical problems and increased unit cost in trying to arrange shipment of much smaller quantities of fruit.

Banana plants take nine months to begin producing exportable fruit, meaning any damage sustained can set producers back for a year or more.

There are also indications that Chiquita, the other US company operating in Honduras, may soon be able to restore a small amount of production. Chiquita owns 7,000 ha of banana farms through its Tela Railroad Company subsidiary.

Steve Warshaw, Chiquita president, said: "We are hopeful in the short term of re-establishing some level of re-employment."

Mr Warshaw said it was likely some land had been irreparably damaged by the flooding and would not be brought back into production, but it would "not be an overwhelming portion".

Honduras earned more than $200m in 1997 through banana exports, making it the country's most important export after coffee.

● Uncertainty over the future of preferential access to Europe for Jamaican bananas, and the prospect of falling prices, has forced the country's industry to restructure its operations and make 2,500 jobs redundant, writes Canute James in Kingston.

Jamaica Producers Group, the main exporter, said a new company would be created next month that would employ 2,000 workers, but at lower wages.

The plan to restructure the company, which operates the island's three largest farms, was accepted by unions representing banana workers after 10 weeks of negotiations. Jamaica earned $45m from banana exports to Europe last year.

Following a US complaint, the World Trade Organisation ruled last year that the EU's banana import policy, which favours former European colonies, was unfair. The EU has altered its preferential arrangements, but the US said last week that it was dissatisfied, and threatened to impose 100 per cent duty on some European imports.

"Banana prices will fall regardless of the outcome of the dispute between the US and the EU," said Marshall Hall, chairman of Jamaica Producers Group. "If the agreement with the trade unions works, it will allow us to maintain the industry's viability."

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1296-97 | 1313-14 |
| Previous | 1300.5-1.5 | 1317-7.5 |
| High/low | | 1318/1309 |
| AM Official | 1296-96.5 | 1313-13.5 |
| Kerb close | | 1310-11 |
| Open int. | | 342,493 |
| Total daily turnover | 58,976 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1085-90 | 1115-17 |
| Previous | 1087-92 | 1118-20 |
| High/low | | 1115/1113 |
| AM Official | 1083-85 | 1117-18 |
| Kerb close | | 1110-15 |
| Open int. | 7,506 | |
| Total daily turnover | 4,021 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 488-9 | 497.5-8 |
| Previous | 488-6 | 496-6.5 |
| High/low | | 499/496 |
| AM Official | 487.5-8 | 497-8 |
| Kerb close | | 487-8 |
| Open int. | 40,000 | |
| Total daily turnover | 9,422 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 4180-70 | 4230-35 |
| Previous | 4120-30 | 4190-05 |
| High/low | | 4230/4200 |
| AM Official | 4130-35 | 4200-05 |
| Kerb close | | 4230-35 |
| Open int. | 66,015 | |
| Total daily turnover | 10,288 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5450-60 | 5410-15 |
| Previous | 5430-40 | 5385-95 |
| High/low | | 5415/5390 |
| AM Official | 5435-40 | 5400-05 |
| Kerb close | | 5400-10 |
| Open int. | 19,004 | |
| Total daily turnover | 6,940 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 965-6 | 982-3 |
| Previous | 958.5-7.5 | 974-5 |
| High/low | | 499/495 |
| AM Official | 970.5-1 | 987-8 |
| Kerb close | | 497-8 |
| Open int. | 87,620 | |
| Total daily turnover | 31,029 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1560-61 | 1583-83 |
| Previous | 1561-2 | 1580-80.5 |
| High/low | | 1592/1578 |
| AM Official | 1553-53.5 | 1582.5-83.5 |
| Kerb close | | 1590-1 |
| Open int. | 169,882 | |
| Total daily turnover | 39,815 | |

■ LME AM Official £/$ rate: 1.6780
LME Closing £/$ rate: 1.6755

Spot: 1.6770 3 mths: 1.6707 6 mths: 1.6646 9 mths: 1.6595

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 71.30 | +1.15 | 71.30 | 70.20 | 42 | 629 |
| Dec | 71.55 | +1.15 | 71.70 | 70.40 | 7,796 | 33,654 |
| Jan | 71.90 | +1.10 | 71.90 | 71.90 | 113 | 2,475 |
| Feb | 72.20 | +1.10 | 72.10 | 71.80 | 85 | 1,379 |
| Mar | 72.45 | +1.00 | 72.50 | 71.00 | 3,339 | 13,808 |
| Apr | 72.75 | +1.00 | 72.10 | 72.10 | 19 | 1,255 |
| Total | | | | | 12,367 | 71,686 |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 294.30-294.80 | | |
| Opening | 294.10-294.40 | | |
| Morning fix | 294.60 | 175.462 | 402.866 |
| Afternoon fix | 293.80 | 175.173 | 403.094 |
| Day's High | 294.80-295.10 | | |
| Day's Low | 293.80-293.99 | | |
| Previous close | 294.60-295.10 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.61 | 6 months | 3.91 |
| 2 months | 4.38 | 12 months | 3.57 |
| 3 months | 4.31 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 294.82 | 495.00 |

Silver Lending Rates

| | | | |
|---|---|---|---|
| 1 month | 4.20 | 6 months | 2.50 |
| 2 months | 3.70 | 12 months | 2.25 |
| 3 months | 3.35 | | |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 296-300 | 177-179 |
| New Sovereign | 69-73 | 41-44 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 294.8 | -0.6 | - | - | 3 | 3 |
| Dec | 294.8 | -0.7 | 295.7 | 294.3 | 14,816 | 80,332 |
| Feb | 297.1 | -0.7 | 297.9 | 296.4 | 2,080 | 28,721 |
| Apr | 299.1 | -0.7 | 299.8 | 298.8 | 493 | 18,412 |
| Jun | 300.8 | -0.7 | 301.2 | 300.0 | 341 | 14,448 |
| Aug | 302.5 | -0.7 | 302.2 | 302.2 | 20 | 5,808 |
| Total | | | | | 17,847 | 189,844 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 348.9 | -3.1 | 353.0 | 348.2 | 1,360 | 14,392 |
| Apr | 349.9 | -3.3 | 351.0 | 349.0 | 39 | 814 |
| Jul | 351.5 | -3.3 | 350.0 | 350.0 | 10 | 173 |
| Oct | 352.8 | -3.3 | 355.0 | 355.0 | 16 | 893 |
| Total | | | | | 1,488 | 19,172 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 280.85 | +2.35 | 282.00 | 278.00 | 186 | 1,597 |
| Mar | 279.80 | +1.60 | 278.80 | 278.80 | 36 | 1,209 |
| Jun | 277.80 | +1.60 | 278.50 | 275.50 | 8 | 5 |
| Total | | | | | 228 | 2,774 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 491.9 | +0.4 | - | - | - | - |
| Dec | 492.7 | - | 498.0 | 490.5 | 18,985 | 37,975 |
| Jan | 494.9 | - | - | - | - | 88 |
| Mar | 498.2 | +0.1 | 501.5 | 498.0 | 2,625 | 20,767 |
| May | 500.8 | +0.2 | 504.0 | 499.5 | 387 | 4,933 |
| Jul | 503.2 | +0.2 | 506.0 | 503.0 | 1,326 | 5,366 |
| Total | | | | | 23,808 | 70,828 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 12.78 | -0.04 | 12.91 | 12.61 | 62,130 | 52,919 |
| Jan | 13.07 | -0.05 | 13.20 | 12.95 | 69,727 | 120k |
| Feb | 13.37 | -0.02 | 13.50 | 13.25 | 11,777 | 50,842 |
| Mar | 13.65 | +0.02 | 13.74 | 13.55 | 14,236 | 31,549 |
| Apr | 13.94 | +0.05 | 13.97 | 13.86 | 5,804 | 16,722 |
| May | 14.19 | +0.08 | 14.20 | 14.10 | 2,668 | 15,810 |
| Total | | | | | 189,447 | 498,607 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 11.70 | -0.03 | 11.85 | 11.61 | 21,678 | 99,997 |
| Feb | 12.07 | -0.06 | 12.18 | 11.96 | 9,672 | 30,245 |
| Mar | 12.34 | -0.03 | 12.42 | 12.23 | 2,531 | 18,784 |
| Apr | 12.59 | -0.03 | 12.66 | 12.50 | 2,801 | 14,411 |
| May | 12.87 | +0.04 | 12.87 | 12.79 | 630 | 7,703 |
| Jun | 13.08 | +0.05 | 13.11 | 13.08 | 784 | 18,671 |
| Total | | | | | n/a | n/a |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 36.10 | -0.05 | 36.30 | 35.75 | 18,734 | 46,228 |
| Jan | 37.40 | -0.16 | 37.70 | 37.15 | 10,388 | 47,511 |
| Feb | 38.45 | -0.11 | 38.70 | 38.15 | 3,350 | 31,692 |
| Mar | 39.20 | +0.09 | 39.40 | 38.90 | 1,746 | 20,182 |
| Apr | 39.45 | +0.14 | 39.75 | 39.35 | 1,543 | 10,816 |
| May | 39.85 | +0.24 | 40.10 | 39.65 | 1,009 | 8,091 |
| Total | | | | | 36,775 | 200,849 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 105.75 | -2.50 | 106.75 | 104.50 | 7,681 | 52,765 |
| Jan | 110.00 | -2.50 | 111.00 | 109.00 | 4,823 | 25,753 |
| Feb | 113.50 | -2.25 | 114.25 | 112.50 | 2,233 | 19,754 |
| Mar | 116.00 | -1.75 | 116.75 | 115.00 | 489 | 12,008 |
| Apr | 117.75 | -2.00 | 118.25 | 117.75 | 770 | 6,272 |
| May | 120.00 | -1.75 | 120.00 | 119.75 | 111 | 2,723 |
| Total | | | | | 19,006 | 158,921 |

■ NATURAL GAS IPE (1,000 therms; pence per therm)

| | | | | | | |
|---|---|---|---|---|---|---|
| Dec | 14.920 | +0.150 | 14.920 | 14.850 | 285 | 3,125 |
| Jan | 17.790 | +0.040 | 17.810 | 17.810 | 25 | 4,065 |
| Total | | | | | 1,925 | 25,675 |

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 2.270 | -0.035 | 2.319 | 2.250 | 35,849 | 43,879 |
| Jan | 2.405 | -0.039 | 2.455 | 2.385 | 15,676 | 39,333 |
| Feb | 2.355 | -0.045 | 2.416 | 2.345 | 7,430 | 23,256 |
| Mar | 2.285 | -0.029 | 2.320 | 2.270 | 3,141 | 20,705 |
| Apr | 2.200 | -0.014 | 2.220 | 2.195 | 1,174 | 14,000 |
| May | 2.180 | - | 2.185 | 2.165 | 986 | 10,692 |
| Total | | | | | 66,674 | 238,798 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 38.30 | -0.27 | 39.65 | 38.85 | 13,931 | 39,301 |
| Jan | 40.15 | -0.16 | 40.60 | 39.85 | 7,164 | 25,046 |
| Feb | 41.15 | -0.09 | 41.45 | 40.90 | 442 | 5,933 |
| Mar | 42.35 | +0.06 | 42.45 | 42.20 | 245 | 5,592 |
| Apr | 45.40 | -0.02 | 45.40 | 45.40 | 421 | 7,557 |
| May | 46.25 | +0.08 | 46.35 | 46.00 | 107 | 6,315 |
| Total | | | | | 22,359 | 90,841 |

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 78.85 | -0.10 | 78.75 | 78.75 | 68 | 30 |
| Jan | 79.90 | -0.20 | 80.10 | 79.80 | 118 | 2,983 |
| Mar | 81.90 | -0.20 | 82.00 | 81.80 | 70 | 3,120 |
| May | 83.90 | -0.20 | - | - | 4 | 2,282 |
| Jul | 86.90 | -0.20 | - | - | - | 230 |
| Total | | | | | 301 | 8,644 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 288.00 | +1.50 | 288.75 | 286.25 | 9,531 | 53,075 |
| Mar | 304.50 | +1.50 | 305.25 | 303.00 | 5,878 | 53,151 |
| May | 314.00 | +1.50 | 315.00 | 313.00 | 858 | 7,450 |
| Jul | 323.75 | +1.50 | 324.00 | 320.00 | 1,107 | 18,010 |
| Sep | 332.00 | +1.00 | - | - | 35 | 805 |
| Dec | 342.50 | +0.50 | 342.50 | 340.00 | 27 | 887 |
| Total | | | | | 17,480 | 133,358 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 219.00 | -0.25 | 220.75 | 218.50 | 25,708 | 131,846 |
| Mar | 230.25 | - | 231.75 | 230.00 | 8,940 | 112,587 |
| May | 237.75 | +0.25 | 238.75 | 237.50 | 1,846 | 36,600 |
| Jul | 243.25 | +0.50 | 244.50 | 242.75 | 2,125 | 44,688 |
| Sep | 249.50 | +1.50 | 249.75 | 248.50 | 69 | 7,011 |
| Dec | 255.00 | +0.50 | 255.50 | 254.50 | 566 | 20,238 |
| Total | | | | | 38,388 | 384,836 |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 78.00 | -0.25 | - | - | - | - |
| Jan | 79.60 | -0.25 | - | - | 75 | 867 |
| Mar | 81.75 | -0.28 | - | - | 75 | 185 |
| May | 82.75 | -0.25 | - | - | 5 | 33 |
| Sep | 81.25 | -0.50 | - | - | - | - |
| Total | | | | | 150 | 1,088 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 572.75 | +3.00 | 573.75 | 568.50 | 3,491 | 3,840 |
| Jan | 582.00 | +4.50 | 583.00 | 575.00 | 22,887 | 68,112 |
| Mar | 591.25 | +4.25 | 592.25 | 585.50 | 2,426 | 28,781 |
| May | 599.50 | +4.25 | 601.00 | 594.50 | 1,169 | 13,176 |
| Jul | 607.25 | +4.50 | 608.00 | 603.00 | 1,625 | 17,836 |
| Aug | 608.50 | +3.50 | 609.00 | 607.00 | 84 | 1,263 |
| Total | | | | | 33,181 | 140,079 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 24.70 | +0.19 | 24.75 | 24.48 | 8,629 | 39,992 |
| Jan | 24.81 | +0.17 | 24.86 | 24.61 | 4,936 | 22,397 |
| Mar | 24.95 | +0.16 | 25.02 | 24.77 | 2,294 | 22,121 |
| May | 25.05 | +0.13 | 25.05 | 24.90 | 597 | 10,568 |
| Jul | 25.17 | +0.16 | 25.12 | 25.01 | 1,071 | 13,349 |
| Aug | 25.14 | +0.12 | 25.15 | 25.10 | 84 | 1,190 |
| Total | | | | | 18,134 | 114,716 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 148.3 | +0.1 | 148.6 | 147.4 | 9,566 | 50,853 |
| Jan | 150.2 | +0.3 | 150.4 | 149.7 | 4,529 | 28,742 |
| Mar | 154.0 | +0.6 | 154.2 | 153.0 | 1,695 | 19,455 |
| May | 157.3 | +0.4 | 157.7 | 157.0 | 1,326 | 11,252 |
| Jul | 160.8 | +0.2 | 161.1 | 160.2 | 102 | 15,201 |
| Aug | 162.1 | - | 162.8 | 162.6 | 110 | 2,796 |
| Total | | | | | 18,261 | 134,552 |

■ POTATOES LIFFE (20 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 186.4 | -1.5 | - | - | - | - |
| Apr | 259.4 | -21.6 | 272.0 | 256.4 | 220 | 2,001 |
| May | 268.0 | - | - | - | - | 29 |
| Jun | 298.0 | - | - | - | - | - |
| Nov | 85.0 | - | - | - | - | 3 |
| Total | | | | | 220 | 2,281 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 970 | -3 | 975 | 970 | 26 | 307 |
| Dec | 990 | +10 | 995 | 990 | 25 | 233 |
| Jan | 990 | +2 | 990 | 990 | 10 | 560 |
| Apr | 1030 | +5 | 1030 | 1030 | 126 | 571 |
| Jul | 903 | +3 | - | - | 15 | 288 |
| Total | | | | | 314 | 2,381 |

| | Close | Prev |
|---|---|---|
| BFI | 966 | 968 |

### PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 428.75 | +0.50 | - | - | - | 360 |
| Mar | 452.75 | -2.25 | 452.75 | 452.25 | 40 | 246 |
| Total | | | | | 80 | 642 |

FUTURES DATA
All futures data supplied by CMS.

**Tea** from the Tea Brokers' Association Mombasa There was good general demand but at generally easier rates. Brighter BPIs were lower by about 10-25 cents while Mediums, apart from selected lines, declined by 5-10 cents. Lower Mediums eased by about 5-12 cents. Neater Plainer sorts were dearer but poorly made types were lower. Brighter PF1s were irregularly easier and sometimes neglected, particularly towards the close. Pakistan packers continued to lend good support. There was less enquiry from Egypt, Sudan and Middle East outlets, but buying for Somalia was maintained.

### SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 972 | -1 | 978 | 970 | 6,846 | 37,944 |
| Mar | 1007 | -1 | 1015 | 1006 | 5,599 | 40,017 |
| May | 1027 | - | 1034 | 1027 | 1,146 | 18,333 |
| Jul | 1046 | - | 1050 | 1043 | 118 | 10,495 |
| Sep | 1062 | -1 | 1070 | 1060 | 284 | 27,741 |
| Dec | 1086 | -2 | 1093 | 1086 | 1,479 | 12,180 |
| Total | | | | | 15,332 | 157,971 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 1483 | +1 | 1493 | 1482 | 1,150 | 2,937 |
| Mar | 1516 | -3 | 1529 | 1515 | 2,811 | 43,136 |
| May | 1541 | -3 | 1563 | 1540 | 510 | 10,977 |
| Jul | 1566 | -3 | 1577 | 1577 | 12 | 2,003 |
| Sep | 1592 | -2 | 1600 | 1594 | 141 | 3,600 |
| Dec | 1622 | -2 | 1630 | 1630 | 72 | 5,288 |
| Total | | | | | 187,57 | 12,343 |

■ COCOA (ICCO) (SDR's/tonne)

| Nov 16 | Price | Prev. day |
|---|---|---|
| Daily | 1164.27 | 1141.78 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 2145 | +118 | 2145 | 2031 | 953 | 4,051 |
| Jan | 1648 | +16 | 1654 | 1640 | 2,764 | 20,718 |
| Mar | 1602 | +9 | 1621 | 1599 | 711 | 9,701 |
| May | 1583 | +8 | 1600 | 1580 | 308 | 4,374 |
| Jul | 1586 | +5 | 1586 | 1585 | 215 | 1,121 |
| Sep | 1581 | +5 | 1575 | 1570 | 68 | 456 |
| Total | | | | | 4,978 | 41,471 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 112.35 | -1.85 | 115.25 | 111.80 | 3,821 | 4,502 |
| Mar | 113.06 | +0.15 | 113.50 | 111.00 | 4,368 | 17,328 |
| May | 112.50 | +0.90 | 112.75 | 111.10 | 193 | 5,157 |
| Jul | 113.25 | +0.75 | 113.25 | 112.50 | 66 | 2,177 |
| Sep | 114.05 | +0.75 | 113.40 | 111.50 | 80 | 1,519 |
| Dec | 115.20 | +0.80 | 3.00 | 3.00 | 41 | 730 |
| Total | | | | | 8,497 | 31,489 |

■ COFFEE (ICO) (US cents/pound)

| Nov 16 | Price | Prev. day |
|---|---|---|
| Comp. daily | 96.81 | 95.15 |
| 15 day average | 96.24 | 96.28 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 247.1 | +2.5 | 247.4 | 244.6 | 1,533 | 10,075 |
| May | 246.9 | +2.4 | 247.3 | 244.5 | 522 | 4,634 |
| Aug | 246.9 | +2.5 | 247.1 | 244.0 | 284 | 3,244 |
| Oct | 240.7 | +2.3 | 240.9 | 239.4 | 120 | 3,544 |
| Dec | 243.0 | +2.1 | 240.3 | 240.3 | 80 | 244 |
| Mar | 244.8 | +0.6 | 243.5 | 242.0 | 40 | 578 |
| Total | | | | | 2,482 | 22,118 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 8.49 | +0.14 | 8.50 | 8.36 | 6,402 | 75,632 |
| May | 8.56 | +0.14 | 8.57 | 8.42 | 658 | 17,635 |
| Jul | 8.58 | +0.12 | 8.60 | 8.47 | 914 | 17,149 |
| Oct | 8.71 | +0.11 | 8.73 | 8.60 | 472 | 12,026 |
| Mar | 8.95 | +0.09 | 8.93 | 8.86 | 111 | 7,869 |
| May | 9.01 | +0.07 | 8.97 | 8.95 | 30 | 1,118 |
| Total | | | | | 8,593 | 131,941 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 63.58 | -1.98 | 65.30 | 63.50 | 10,539 | 19,571 |
| Mar | 63.20 | -1.90 | 64.10 | 63.00 | 13,739 | 31,405 |
| May | 63.93 | -1.37 | 64.70 | 63.80 | 928 | 14,753 |
| Jul | 64.70 | -1.10 | 65.50 | 64.55 | 480 | 10,853 |
| Oct | 65.80 | -0.80 | 66.00 | 65.70 | 44 | 334 |
| Total | | | | | 30,670 | 88,694 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 117.45 | +0.60 | 117.90 | 115.65 | 1,390 | 12,961 |
| Mar | 120.10 | +0.70 | 120.10 | 118.40 | 342 | 5,966 |
| May | 121.95 | +0.35 | 121.50 | 120.60 | 202 | 1,397 |
| Jul | 123.85 | +0.45 | 124.25 | 123.50 | 163 | 798 |
| Sep | 124.85 | +0.45 | 125.00 | 125.00 | 10 | 80 |
| Nov | 124.40 | - | 124.50 | 124.50 | 50 | 293 |
| Total | | | | | 2,353 | 21,700 |

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

### INDICES

■ Reuters (Base: 18/9/31 = 100)

| Nov 17 | Nov 16 | month ago | year ago |
|---|---|---|---|
| 1474.9 | 1474.4 | 1486.1 | 1012.0 |

■ CRB Futures (Base: 1967 = 100)

| Nov 16 | Nov 13 | month ago | year ago |
|---|---|---|---|
| 201.46 | 204.32 | - | - |

■ GSCI Spot (Base: 1970 = 100)

| Nov 16 | Nov 13 | month ago | year ago |
|---|---|---|---|
| 145.19 | 149.15 | 150.16 | 202.59 |

LME WAREHOUSE STOCKS (tonnes)

| | | | |
|---|---|---|---|
| Aluminium | +3,550 | to | 530,100 |
| Aluminium alloy | +180 | to | 87,540 |
| Copper | [illegible] | to | 480,780 |
| Lead | -225 | to | 108,950 |
| Nickel | +38 | to | 61,134 |
| Zinc | -3,350 | to | 333,725 |
| Tin | -115 | to | 8,890 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 62.700 | +0.325 | 62.780 | 61.650 | 9,425 | 34,301 |
| Feb | 63.675 | +0.150 | 63.750 | 63.000 | 7,379 | 38,136 |
| Apr | 65.375 | +0.500 | 65.450 | 64.800 | 3,336 | 20,502 |
| Jun | 63.700 | +0.450 | 63.850 | 63.250 | 1,987 | 10,982 |
| Aug | 63.625 | +0.375 | 63.950 | 63.350 | 1,059 | 8,498 |
| Oct | 66.400 | +0.150 | 66.700 | 66.300 | 502 | 1,399 |
| Total | | | | | 23,788 | 116,212 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 30.950 | -0.800 | 31.750 | 30.600 | 4,899 | 18,281 |
| Feb | 35.050 | +0.350 | 35.250 | 34.800 | 3,273 | 14,049 |
| Apr | 43.150 | +0.300 | 43.400 | 42.700 | 1,456 | 4,972 |
| Jun | 53.275 | +0.525 | 53.525 | 52.600 | 695 | 3,249 |
| Jul | 54.300 | +0.525 | 54.450 | 53.900 | 199 | 1,743 |
| Aug | 54.975 | +0.650 | 55.100 | 54.300 | 156 | 1,798 |
| Total | | | | | 11,680 | 43,096 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 44.600 | -0.125 | 45.950 | 44.100 | 1,753 | 4,288 |
| Mar | 44.100 | - | 45.300 | 44.100 | 147 | 326 |
| May | 45.575 | +0.050 | 45.900 | 45.800 | 118 | 299 |
| Jul | 46.275 | +0.175 | 46.550 | 46.100 | 60 | 96 |
| Total | | | | | 2,074 | 5,879 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | — Calls — | | — Puts — | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Dec | Mar | Dec | Mar |
| 1250 | 62 | 130 | 8 | 35 |
| 1300 | 26 | 69 | 50 | 60 |
| 1350 | - | 31 | 146 | 144 |
| ■ COPPER (Grade A) LME | Dec | Mar | Dec | Mar |
| 1500 | 66 | 95 | 3 | 21 |
| 1600 | 10 | 64 | 16 | 40 |
| 1700 | - | 40 | 47 | 66 |
| ■ COFFEE LIFFE | Jan | Mar | Jan | Mar |
| 1550 | 113 | 110 | 18 | 55 |
| 1600 | 77 | 80 | 29 | 78 |
| 1650 | 48 | 58 | 50 | 106 |
| ■ COCOA LIFFE | Dec | Mar | Dec | Mar |
| 975 | 8 | 48 | 6 | 16 |
| 1000 | 1 | 33 | 28 | 28 |
| 1025 | 1 | 23 | 53 | 41 |
| ■ BRENT CRUDE IPE | Jan | Feb | Jan | Feb |
| 1200 | 38 | - | 66 | 67 |
| 1250 | 21 | - | - | - |
| 1300 | 14 | 43 | 142 | - |

### LONDON SPOT MARKETS

| ■ CRUDE OIL FOB (per barrel) | | +or- |
|---|---|---|
| Dubai | $11.48-1.58x | -0.400 |
| Brent Blend (dated) | $10.60-0.62 | -0.485 |
| Brent Blend (Jan) | $11.70-1.72 | -0.485 |
| W.T.I. | $12.98-3.00x | -0.490 |
| ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) | | |
| Premium Gasoline | $132-134 | -4 |
| Gas Oil | $104-106 | -0.5 |
| Heavy Fuel Oil | $57-59 | |
| Naphtha | $128-130 | -3 |
| Jet fuel | $121-123 | -2 |
| Diesel | $115-117 | -0.5 |
| ■ NATURAL GAS (Pence/therm) | | |
| Bacton (Dec) | 14.90-14.92 | +0.14 |
| Petroleum Argus. Tel. London (0171) 359 8792 | | |
| ■ OTHER | | |
| Gold (per troy oz)♣ | $294.55 | -0.30 |
| Silver (per troy oz)♣ | 495.00c | +0.50 |
| Platinum (per troy oz.) | $347.50 | +0.50 |
| Palladium (per troy oz.) | $277.50 | -0.50 |
| Copper | 76.0c | -1.0 |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 20.16r | -0.10 |
| Tin (New York) | 257.5 | -2.0 |
| Cattle (live weight) | 87.15p | +4.81* |
| Sheep (live weight) | 81.46p | -2.73* |
| Pigs (live weight)† | 55.33p | +2.22* |
| Lon. day sugar (raw) | $201.90 | +1.10 |
| Lon. day sugar (wte) | $244.00 | +1.00 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Dec)¥ | 49.00p | -0.50 |
| Rubber (Jan)¥ | 49.50p | -0.50 |
| Rubber (KL RSS No1) | 277.00m | +1.00 |
| Coconut Oil (Phil)§ | 735.0y | -6.0 |
| Palm Oil (Malay.)§ | 650.0 | -2.5 |
| Copra (Phil)§ | $455.0y | -5.0 |
| Soyabeans (US) | 167.0y | -1.0 |
| Cotton Outlook 'A' index | 56.90 | -0.70 |
| Wooltops (64s Super) | 319p | |

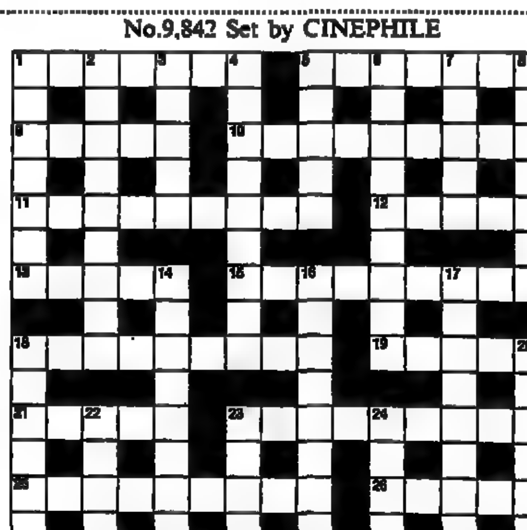
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Dec. z Jan. ¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. † Based on 1,062 head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

## CROSSWORD

No.9,842 Set by CINEPHILE



**Many solutions have comic connections**

ACROSS
1 English politician in international storm (7)
5 Politicians' English from the stock exchange in Paris (7)
9 The shrub is not so green (5)
10 Sacred one with transsexual part in another 10 (9)
11 Disease in the mouth? Disease where mouth is topped with gold (9)
12 Fancy having the correct number of sheets! (5)
13 French ambassador's order to leave (5)
15 Most of storm breaks, rain being wild and raging (2,1,6)
18 Not so serious as Goethe's last words (4,5)
19 Stitch in time? On the contrary, tame! (5)
21 Tin constitutes the major container of the brightest star (5)
23 Crazy fellow with article describing dualistic doctrines (9)
25 Moving or leaning at a bar with L-shaped cross-section (5,4)
26 See 23 down
27 Open-air Shakespeare better in performance? (7)
28 Return concerning obscenity's taking a big step forward (7)

DOWN
1, 22 The end of the sixth of the first? (7,5)
2, 22 The end of the twenty-fourth of the sixth? (9,5)
3 Slip into comedy (5)
4 Article about Irish saint wanting a drink (9)
5 One taken from bread is very keen (5)
6 Nobody killed when cold? (9)
7 Britannia has conquered sea in command (5)
8 Cooking vessel? (7)
14 One raised badly, very good if it ends so? (3,2,4)
16 Wall-builder from another nation at sunrise (9)
17 Observed by a strange device (9)
18 Greek character goes to African country for nothing – that's what it was about (4,3)
20 Scenic castle turns to gold (7)
22 See 1 down and 2
23, 26 Queen and king, in setter's peculiar views, drunk better halves (5,5)
24 Be frightened by frightener? (5)

Solution 9,841

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

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### BERMUDA (REGULATED)(**)

### CAYMAN ISLANDS (REGULATED)(**)

### GUERNSEY (FSA RECOGNISED)

### GUERNSEY (REGULATED)(**)

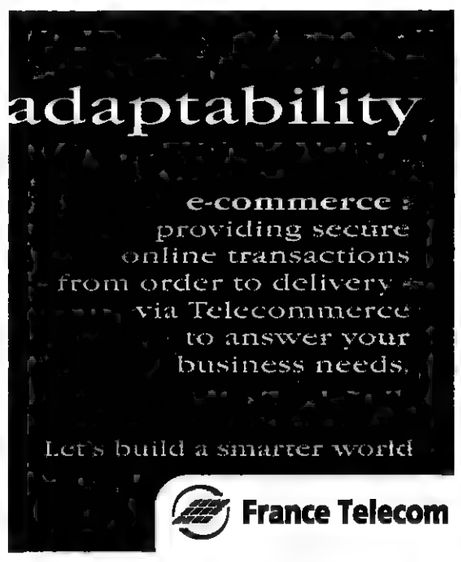
### IRELAND (FSA RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (FSA RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (FSA RECOGNISED)



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Offshore Funds and Insurances

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## LUXEMBOURG (REGULATED)(**)

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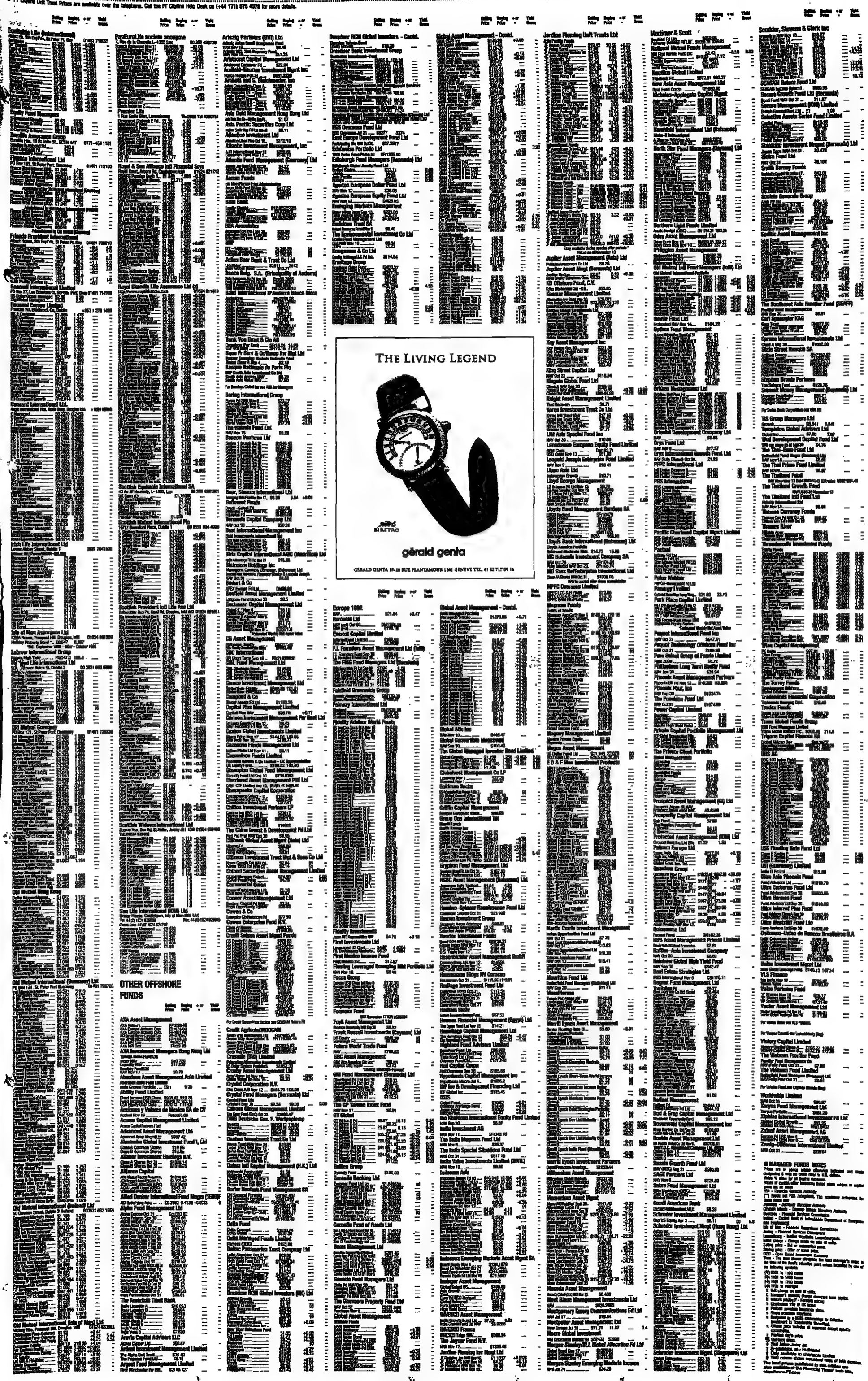

THE LIVING LEGEND
gerald genta
GERALD GENTA 18-20 RUE PLANTAMOUR 1201 GENEVE TEL. 41 22 717 09 16

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# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CONSTRUCTION

## CONSTRUCTION - Continued

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Continued

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## FOOD PRODUCERS

## FOOD PRODUCERS - Continued

## GAS DISTRIBUTION

## HEALTH CARE

## HOUSEHOLD GOODS & TEXT

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## INVESTMENT TRUSTS - Continued

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# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

Aberdeen Emg Asia 4
Warrants
Atlantic Japan Gwth Fd.
Warrants
Barclay Emrg Euro
Warrants
Brunner IT
Warrants
Central Euro Gwth
Warrants
Ind Germany
Japan Trust S
FSV Latin American S-P
Warrants
1st Russian Frontiers S-P
Warrants
Warrants II
Warrants
Growth Asian Smlr
Warrants
Marine Cold Asia Gth Inv
Warrants
Indonesia Fund
Warrants
Israel Fund S
Korea-Europe S
Korea Liberal S
Warrants
Laurel Brits India
Warrants
Scandinavian Aurora Fd S-P
Warrants S
Scottish Asian Pac Inv
Net asset values supplied by IT Alan Brown International as a guide only. See guide to London Share Service

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LIFE ASSURANCE

## MEDIA

## MINING & METALS

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## PROPERTY

## PROPERTY - Continued

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SUPPORT SERVICES

## SUPPORT SERVICES - Continued

## TELECOMMUNICATIONS

## TOBACCO

## TRANSPORT

## TRANSPORT - Continued

## WATER

## AMERICANS

## CANADIANS

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## AIM

### Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list.

## AIM - Continued

## GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves combined in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm yesterday close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, yield is calculated after the more. Prices shown for some of these foreign securities are converted into sterling from local available local Stock Exchange prices.

Symbols referring to dividend dates appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

*Earnings used in calculations are based on SAM 'Income Earnings' formula.*

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Authorised Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Prm ◆) to the current closing share price. The NAV tables accommodate prior changes, at par value, convertibles converted and warrants exercised if dilution occurs.

* Highs and lows marked thus have been adjusted to allow for capital changes.
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
◆ Figures or report awaited
Rule 2.10(iv) Overseas incorporated companies listed on an approved exchange.
♣ Free annual/interim report available, see details below.
†† Rule 4.3(a) Irish incorporated non-listed companies.
# Price at time of suspension
‖ Annualised dividend yield after pending scrip and/or rights issue
◆ Merger bid or reorganisation in progress
§ Forecast dividend yield, pre based on dividends indicated by latest interim statement.
● Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
c Assumed dividend yield after scrip issue
d Rights issue pending
e Earnings based on preceding year's earnings
f Dividend yield excludes a special payment.
g Indicated dividend yield, pre zero based on latest annual earnings
h Figures based on prospectus or other official estimates for 1997-98.
j Dividend yield excludes a special payment
k Yield based on prospectus or other official estimates for 1998
l Annualised annualised yield, pre based on latest annual earnings
m Yield based on prospectus or other official estimates for 1997-98.
n Dividend is part in scrip and part in a RIS. Foreign income Dividends
o Forecast dividend yield, pre based on prospectus or other official estimates.
p Pre Rules Agreed
z Dividend yield to date.

Abbreviations:
ex dividend
ex scrip issue
ex rights
ex all.
ex capital distribution.

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### The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

# Uncertainty over US rates sees UK stocks fall

**MARKET REPORT**

By Steve Thompson, UK Stock Market Editor

An element of uncertainty crept into London's stock market yesterday, bringing an end to two straight winning sessions, as the big institutions held back from the market ahead of the crucial decision by the US Federal Reserve's open market committee on interest rates.

Dealers said the London market had been driven higher for much of the session by rate hopes but that the market had lost its nerve just before the close of business.

The late sell-off of the market's front-line stocks saw the FTSE 100 index finish a day of erratic movements with a modest 7.8 decline at 5,503.7.

Footsie had drifted easier at the opening, only to rally strongly mid-morning after some encouraging domestic economic news.

But there was never any real enthusiasm to chase the equity market, marketmakers said.

The second and third-line stocks were always under selling pressure, with the FTSE 250 and SmallCap indices never recovering from an early fall.

The FTSE 250 index finished 26.5 lower at 4,809.1, having bottomed at 4,806.5. Similarly, the FTSE SmallCap was virtually friendless throughout the day, closing at a session-low of 2,060.9, down 6.3.

Noting the day's performance, a senior dealer at one leading European stockbrokers said he felt global markets had run ahead "too far, too fast" and that the odds, at best, now favoured a period of consolidation, if not a correction.

"We've heard the stories about the build-up of cash and the talk about the imminent takeover bids. But these are not new stories – they have been around for months, if not years," said one of the front-line marketmakers.

"I wouldn't want to chase the market from here," he warned.

The day's economic news gave the stock market no real problems; the October inflation news showed a slightly disappointing headline figure up 0.1 per cent on the month for an annual rate of 3.1 per cent but the underlying rate welded to the government's 2.5 per cent annual target.

And the public sector net cash requirement showed a surprisingly strong surplus of £7.9bn, compared with a consensus estimate of £6.6bn.

That number helped the gilts market to gain around a third of a point amid hopes that issuance will shrink next year.

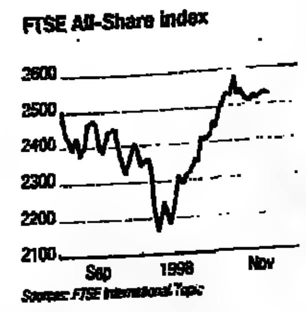
And some dealers were pondering the prospects for another cut in UK interest rates after the next scheduled meeting of the Bank of England's monetary policy committee, due to be held on December 10.

The imminence of the interest rate news from the US meant that the institutions held off from taking big positions in the market.

At the 6pm cut-off point turnover had reached 750.3m shares, with non-FTSE 100 stocks accounting for 54 per cent of the overall figure.

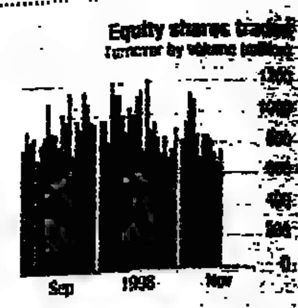
The stream of profit warnings, one of the market's biggest problems in recent months, was much thinner for once. The worst news came from one of the smaller stocks – VHE, a land reclamation group.

FTSE All-Share index




Equity shares traded

Turnover by volume (million)




Source: FTSE International Topic

**Indices and ratios**

| | | |
|---|---|---|
| FTSE 100 | 5502.7 | -7.8 |
| FTSE 250 | 4809.1 | -26.5 |
| FTSE 350 | 2617.7 | -5.5 |
| FTSE All-Share | 2531.00 | -5.44 |
| FTSE All-Share yield | 3.10 | 3.10 |
| FT 30 | 3307.9 | -16.5 |
| FTSE Non-Fins p/e | 21.14 | 21.16 |
| FTSE 100 Fut Dec | 5530.0 | -15.0 |
| 10 yr Gilt yield | 4.96 | 5.01 |
| Long gilt/equity yld ratio | 1.57 | 1.58 |

**Best performing sectors**

1 Pharmaceuticals +1.3
2 Transport +1.3
3 Retailers General +0.9
4 Oil Integrated +0.7
5 Electricity +0.6

**Worst performing sectors**

1 Oil Exploration & Prod -2.6
2 Engineering, Vehicles -2.3
3 Food Producers -1.8
4 Tobacco -1.5
5 Health Care -1.3

# Northern Foods plunges

**COMPANIES REPORT**

By Joel Kibazo, Martin Brice and Caroline van Loewenich

A warning about sales from food producer Northern Foods provided further evidence of the slowing of the UK economy and sent the company's shares plunging.

The latest bout of bearish news in the sector came a day after Unigate warned of a probable "pause" this year in its rate of growth because of "challenging conditions".

Northern Foods chairman Chris Haskins said that the weaker sales trend seen in the second quarter of the financial year had continued into October and early November, "and underlying sales growth may not be easy to achieve for the rest of the year".

The warning came as Northern Foods reported interim profits that fell 4.3 per cent to £40.2m against analysts' expectations of £42m. But the dividend was raised to 2.6p from 2.5p.

Analysts downgraded full-year profit expectations from around £100m to about £95m.

The shares surrendered 12½ or 7.5 per cent to 155p, one of the worst performers in the FTSE 250 yesterday. Those of Unigate remained unloved and they fell another 10½ to 491½p.

Hillsdown was also unnerved by the Northern Foods statement and the shares gave up 5½ to 85p.

CSFB believes sector leaders are "now more exposed to discretionary consumer spending than they were during the last recession. With economic growth set to slow sharply in 1999, we feel there is a good chance that food retail demand growth will remain subdued, and could even deteriorate further."

The broker is a seller of J Sainsbury, which rose10 to 520p, and Tesco, which eased 3¼ to 168p. Other stocks that declined were Safeway, 6¼ off at 276p, and Iceland, down 7½ to 208½p.

Shares in financial services group Garban closed at 217p after it made its market debut at a lower-than-expected 225p following its demerger from United News & Media.

Analysts had expected the stock to be valued as high as 400p, although pessimists who won the day had predicted a price of below 300p. United shares moved against the market trend, ending the day 26 ahead at 638p.

Reports suggesting a leading broker had issued a strong buy note on media group Pearson saw the shares appreciate 12 to 997p. Mirror Group was also in demand and the shares gained 5½ to 154¼p.

The dramatic fall suffered by IT consultancy Parity on fears of a slowing in the UK economy prompted director share buying. The stock stood at 863p earlier this year before recent declines. Chairman Philip Swinstead yesterday bought 250,000 shares at an average price of 415.36p. The shares fell 11 to 405p.

Investor pessimism over prospects for engineering group BTR was in evidence as the shares defied normal custom and fell ahead of a visit by analysts to its operations in the US.

Shares normally rise ahead of a company visit but BTR dropped 6 to 100p as traders guessed bad news from the trip could prompt more downgrades to profit forecasts. The shares have fallen from a high of 215p earlier this year.

The transport sector was set alight by sparkling figures from FirstGroup that exceeded expectations and saw bus stocks among some of the market's best performers as fears of the impact of an economic slowdown evaporated.

The 40 per cent interim pre-tax gain, struck on sales that rose 83 per cent, came in above expectations but the impetus to the stock's rise came from a confident trading statement.

The company talked of "a satisfactory start to the second half" and highlighted the government's "proactive approach to public transport".

The shares were one of the best MidCap performers, rising 27 to 392p, or more than 7 per cent, despite the general decline in the FTSE 250 index.

**Stagecoach jumps**

The positive sentiment spread to its peer group, as Stagecoach achieved one of the better Footsie performances with a rise of 14½ to 342½p. In the midcap stocks, Go-Ahead gained 30 to 655p and Arriva 2¼ to 396½p.

The return of bid speculation in recent sessions to GRE continued to boost the stock. The shares jumped 18¼ to 293¼p, the best performer in the FTSE 100.

SkyePharma gained more than 12 per cent or 9 to 82½p, helped by two announcements.

It said an advisory panel of the US Food and Drug Administration had recommended approval of DepoCyt, a treatment for meningitis arising from leukaemia that had been developed by a company it was in the process of taking over.

The second announcement was that it had signed an asthma drug deal with Novartis, the international pharmaceuticals group.

Business telecommunications company Energis rallied at the opening, climbing to 902½p on the release of strong interim figures but came off later in the day to end 11 higher at 870p. ABN Amro has reiterated its "buy" recommendation for the company.

The Energis numbers gave a lift to National Grid, Energis's parent company which still retains a 70 per cent plus stake in the group. National Grid shares rose 11 to 451p. Colt Telecom rose 40 to 712p, making it one of the best performers in the Footsie.

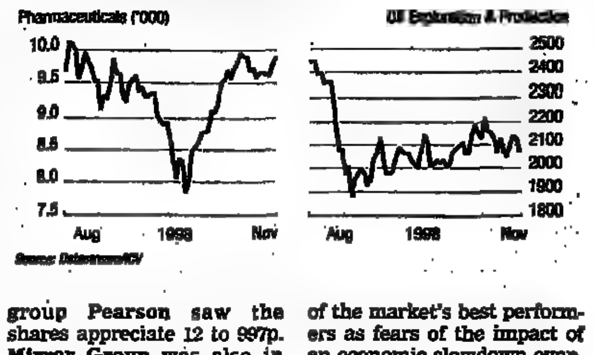
Vodafone fell 13¼ to 838p in the wake of the company's interim figures. According to Jim Ross, analyst at ABN Amro, growth of pre-tax profits came well above expectations with exceptionally strong earning figures in the non-UK branches. But results within the UK were disappointing as revenues per customer remained below projections.

The banking arena continued to attract good support, with dealers noting the resurgence of takeover rumours in the insurance sector and pointing out that the two sectors normally ran in tandem.

NatWest Bank took the honours in the retail banks, climbing 29 to 979p, over 3 per cent, closely followed by Royal Bank of Scotland, up 23½ at 808½p. Both stocks have been put forward as takeover favourites in the sector.

In oils, BP jumped another 15¼ to 937½p in turnover of 28m shares while Shell dipped 2¾ to 356¾p in 17m shares traded.

**Best and worst performing FTSE sectors**




Source: Datastream/ICV

## FT 30 INDEX

| | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Nov 11 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3307.9 | 3324.4 | 3296.9 | 3289.1 | 3326.2 | 3147.4 | 4004.9 | 2790.6 |
| Ord. div. yield | 3.17 | 3.17 | 3.20 | 3.20 | 3.17 | 3.61 | 4.22 | 2.72 |
| P/E ratio net | 21.18 | 21.15 | 20.97 | 20.94 | 21.18 | 20.39 | 25.41 | 15.80 |
| P/E ratio nil | 21.07 | 21.06 | 20.89 | 20.86 | 21.06 | 20.11 | 25.19 | 15.71 |

FT 30 since compilation: high 4004.9 15/07/98; low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

| 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | High | Low |
|---|---|---|---|---|---|---|---|---|---|
| 3324.4 | 3314.4 | 3322.4 | 3321.3 | 3325.1 | 3328.8 | 3318.0 | 3313.5 | 3335.0 | 3300.8 |

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## STOCK MARKET TRADING DATA

| | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Nov 11 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 56,079 | 62,882 | 53,198 | 51,254 | 58,460 | 36,343 |
| Equity turnover (£m)† | - | 2452.4 | 2347.8 | 2750.3 | 2728.4 | 1993.3 |
| Equity bargains† | - | 50,984 | 41,831 | 42,109 | 45,578 | 33,302 |
| Shares traded (m)† | - | 887.7 | 853.1 | 881.0 | 702.4 | 387.3 |
| Total market bargains‡ | - | 60,570 | 53,000 | 52,141 | 57,741 | - |
| Total turnover (£m)‡ | - | 3251.9 | 3131.9 | 3311.2 | 3671.1 | - |
| Total shrs traded (m)‡ | *750.3 | 873.0 | 817.7 | 863.5 | 809.7 | - |
| Tradepoint turnover (£m) | 21.4 | 59.3 | 13.9 | 26.2 | 17.5 | 34.1 |
| Tradepoint shrs traded(m) | 6.3 | 54.0 | 5.1 | 5.8 | 7.8 | 13.4 |

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

**London market data**

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 480 | Total Highs | 27 | Total contracts | 26,804 |
| Total Falls | 951 | Total Lows | 47 | Calls | 11,041 |
| Same | 1,469 | | | Puts | 15,763 |

Nov 17 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

**FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point**

| | Open | Sett price | Change | High | Low | Est vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 5510.0 | 5530.0 | -15.0 | 5595.0 | 5500.0 | 19433 | 191335 |
| Mar | 5625.0 | 5575.0 | -14.5 | 5625.0 | 5585.0 | 150 | 14704 |
| Jun | 5672.0 | 5621.0 | -14.0 | 5672.0 | 5631.0 | 615 | 9430 |

**FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point**

| | Open | Sett price | Change | High | Low | Est vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 4870.0 | 4827.0 | -25.0 | 4870.0 | 4870.0 | 14 | 8482 |

**FTSE 100 INDEX OPTION (LIFFE) (*5503) £10 per full index point** Nov 17

| | 5350 C | 5350 P | 5400 C | 5400 P | 5450 C | 5450 P | 5500 C | 5500 P | 5550 C | 5550 P | 5600 C | 5600 P | 5650 C | 5650 P | 5700 C | 5700 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nov | 174½ | 20½ | 133½ | 29½ | 89 | 45 | 79 | 66 | 46½ | 93½ | 28½ | 125 | 18 | 163½ | 10½ | 207½ |
| Dec | 314½ | 133 | 280 | 146 | 249 | 169 | 220 | 190 | 189½ | 214½ | 158½ | 238 | 137½ | 266½ | 118½ | 296½ |
| Jan | 393 | 198 | 383½ | 217½ | 333½ | 236½ | 304 | 256 | 274 | 276 | 244 | [illegible] | 218½ | 321½ | 198½ | 349 |
| Feb | 473 | 261½ | 442½ | 286½ | 412 | 300 | 381½ | 319½ | 381 | 330 | 321 | 359 | 292 | 381½ | 270 | 409 |
| Jun† | | | 638½ | 431 | | | 599½ | 467 | | | 568 | 504½ | | | 457½ | 549½ |

Calls 1,034 Puts 1,092

**EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point** Nov 17

| | 5325 C | 5325 P | 5375 C | 5375 P | 5425 C | 5425 P | 5475 C | 5475 P | 5525 C | 5525 P | 5575 C | 5575 P | 5625 C | 5625 P | 5675 C | 5675 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nov | 189½ | 20½ | 157½ | 28½ | 118½ | 40 | 84½ | 55½ | 58½ | 77½ | 39 | 107 | 22½ | 143½ | 13½ | 184½ |
| Dec | 327 | 123 | 293 | 139 | 264½ | 160 | 228 | 172½ | 195 | 191 | 168 | 214 | 147½ | 242 | 123½ | 257½ |
| Jan | 415 | 189 | 386 | 205½ | 347 | 222 | 318½ | 241 | 295 | 258½ | 257½ | 261 | 231 | 303½ | 208 | 305 |
| Mar | 540 | 295½ | | | 480 | 333½ | | | 412½ | 361½ | | | 354½ | 432½ | | |
| Jun† | 680½ | 395 | | | 629 | 432 | | | 564 | 477 | | | 509½ | 513 | | |

Calls 6,686 Puts 7,498 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1998 High | 1998 Low | Stock | Close price p | +/- | Net div | Div cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | - | 53½ | 48 | Anglian Water B | 51½ | | - | - | - | - |
| - | F.P. | 3.00 | 85 | 65 | †Channel | 78 | -8 | - | - | - | - |
| § | F.P. | 6.10 | 117 | 107 | Collective Assets Tst | 117 | | - | - | - | 26.3 |
| - | F.P. | 381.3 | 325¼ | 229½ | First Active | 295½ | | - | - | - | 17.2 |
| - | F.P. | - | 1⅛ | 1⅛ | Five Arrows Chile | 1⅛ | | - | - | - | - |
| - | F.P. | - | 1⅛ | 1⅛ | Do Uts Ln 2040 | 1⅛ | | - | - | - | - |
| - | F.P. | 109.8 | 217 | 200 | Garban | 217 | | w20.54 | 2.2 | 10.0 | 4.6 |
| - | F.P. | 81.7 | 103 | 100½ | Guinness Fl Gnl BG | 102½ | | - | - | - | - |
| - | F.P. | 8.44 | 108½ | 101 | Do Inc | 108½ | +½ | - | - | - | - |
| - | F.P. | 18.7 | 104½ | 100 | Do Zero Div Pf | 104 | +¼ | - | - | - | - |
| §55 | F.P. | 14.7 | 85½ | 85½ | †Honeycombe Leisure | 85 | | - | - | - | 10.3 |
| - | F.P. | 5.87 | 102 | 100 | INVESCO Rec Tst | 101 | | F:0.05 | - | 9.5 | - |
| - | F.P. | 8.68 | 101½ | 100¼ | Do Zero Div Pref | 101½ | +½ | - | - | - | - |
| §97 | F.P. | 7.95 | 103 | 79½ | MSW Technology | 86 | | - | - | - | 13.0 |
| - | F.P. | 35.6 | 12½ | 10 | Marley B | 10½ | | - | - | - | - |
| § | F.P. | 5.17 | 5¼ | 4¼ | †Natural Bldg Mats | 5¼ | | - | - | - | - |
| § | F.P. | 2.10 | 105 | 105 | 10p Cnv Pf | 105 | | - | - | - | - |
| - | F.P. | - | 62½ | 50½ | †Old Mook Company | 53½ | | - | - | - | 13.5 |
| - | F.P. | 7.46 | 93 | 90½ | Piccadilly Brwh | 90½ | | 1.8 | 0.8 | 2.2 | 71.8 |
| 100 | F.P. | - | 103 | 95 | REXAM B | 97½ | | - | - | - | - |
| - | F.P. | - | 15 | 14 | Thistle Hils Nov Cu Pf | 14½ | | - | - | - | - |
| - | F.P. | - | 15 | [illegible] | [illegible] | 13½ | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## FTSE GOLD MINES INDEX

| | Nov 16 | % chg on day | Nov 13 | Year ago | Gross div yield % | Total return | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (28) | 1100.82 | -3.8 | 1130.83 | 1081.81 | 1.88 | 1109.13 | 1381.37 | 701.88 |
| Regional Indices | | | | | | | | |
| Africa (8) | 1189.40 | -2.0 | 1213.47 | 1088.27 | 3.44 | 1194.38 | 1488.04 | 788.83 |
| Australasia (9) | 1305.67 | -0.3 | 1309.47 | 1076.37 | 2.25 | 1310.52 | 1600.53 | 815.89 |
| Americas (11) | 1043.57 | -3.5 | 1081.27 | 1093.52 | 0.70 | 1044.48 | 1317.41 | 647.88 |

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## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Nov 17 | Day's chge% | Nov 16 | Nov 13 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5502.7 | -0.1 | 5510.5 | 5482.2 | 4845.4 | 2.93 | 2.50 | 1.97 | 21.80 | 133.98 | 2432.65 |
| FTSE 250 | 4809.1 | -0.5 | 4835.6 | 4826.4 | 4623.4 | 3.67 | 3.12 | 2.14 | 15.92 | 122.98 | 2084.82 |
| FTSE 250 ex Inv Tr | 4839.8 | -0.5 | 4865.7 | 4862.3 | 4663.9 | 3.82 | 3.25 | 2.21 | 14.82 | 127.47 | 2108.68 |
| FTSE 350 | 2617.7 | -0.2 | 2623.2 | 2603.6 | 2340.7 | 3.05 | 2.60 | 2.01 | 20.38 | 84.22 | 2384.61 |
| FTSE 350 ex Inv Tr | 2624.0 | -0.2 | 2629.2 | 2609.8 | 2344.2 | 3.07 | 2.62 | 2.02 | 20.17 | 84.74 | 1215.85 |
| FTSE 350 Higher Yield | 2537.0 | -0.4 | 2546.3 | 2534.1 | 2003.4 | 4.07 | 3.46 | 1.92 | 15.94 | 81.30 | 1985.06 |
| FTSE 350 Lower Yield | 2695.3 | — | 2696.7 | 2668.8 | 2360.8 | 1.97 | 1.70 | 2.19 | 29.00 | 49.26 | 1972.93 |
| FTSE SmallCap | 2060.91 | -0.3 | 2067.24 | 2057.08 | 2279.99 | 4.03 | 3.39 | 1.98 | 15.64 | 54.93 | 1813.75 |
| FTSE SmallCap ex Inv Tr | 2021.40 | -0.3 | 2027.82 | 2031.55 | 2290.27 | 4.38 | 3.57 | 2.06 | 13.73 | 58.11 | 1798.64 |
| FTSE All-Share | 2531.00 | -0.2 | 2536.44 | 2510.44 | 2290.99 | 3.10 | 2.64 | 2.01 | 20.09 | 62.33 | 2320.35 |
| FTSE All-Share ex Inv Tr | 2540.17 | -0.2 | 2545.36 | 2527.59 | 2296.03 | 3.12 | 2.66 | 2.02 | 19.79 | 83.09 | 1198.24 |

**FTSE Actuaries Industry Sectors**

| | Nov 17 | Day's chge% | Nov 16 | Nov 13 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 RESOURCES(20) | 4246.98 | +0.3 | 4232.43 | 4242.61 | 4637.58 | 3.51 | 3.13 | 1.61 | 23.51 | 132.12 | 1981.63 |
| 12 Extractive Industries(5) | 2685.42 | -1.0 | 2691.66 | 2708.63 | 3104.68 | 5.12 | 4.72 | 1.99 | 12.25 | 128.49 | 858.43 |
| 15 Oil, Integrated(3) | 4912.39 | +0.7 | 4877.82 | 4886.97 | 5102.00 | 3.36 | 2.96 | 1.48 | 25.59 | 145.75 | 2357.18 |
| 18 Oil Exploration & Prod(11) | 2073.27 | -2.6 | 2129.23 | 2138.49 | 3715.13 | 2.65 | 2.32 | 0.96 | 48.28 | 48.95 | 1297.58 |
| 20 GEN INDUSTRIALS(271) | 1712.40 | -0.7 | 1724.14 | 1721.88 | 1960.80 | 4.28 | 3.77 | 2.19 | 13.36 | 58.69 | 1022.47 |
| 21 Construction(39) | 1270.69 | -0.3 | 1274.21 | 1276.58 | 1352.96 | 4.03 | 3.26 | 2.96 | 10.47 | 38.11 | 1150.58 |
| 22 Building Matls & Merchs(26) | 1531.30 | -1.1 | 1548.68 | 1567.93 | 1778.82 | 4.89 | 4.22 | 2.12 | 12.07 | 56.57 | 849.18 |
| 23 Chemicals(23) | 1989.26 | -0.4 | 1996.49 | 1989.37 | 2388.58 | 4.81 | 4.32 | 1.63 | 17.89 | 72.85 | 1033.87 |
| 24 Diversified Industrials(6) | 1083.65 | +0.1 | 1082.09 | 1099.57 | 1307.20 | 6.12 | 4.86 | 2.10 | 11.61 | 57.13 | 688.45 |
| 25 Electronic & Elect Equip(38) | 2424.99 | -1.1 | 2452.03 | 2439.92 | 2233.86 | 3.17 | 2.87 | 1.85 | 21.31 | 60.32 | 1358.25 |
| 26 Engineering(59) | 2188.42 | -0.2 | 2194.67 | 2183.33 | 2675.70 | 4.42 | 3.92 | 2.23 | 12.70 | 79.00 | 1436.64 |
| 27 Engineering, Vehicles(10) | 3075.86 | -2.3 | 3147.04 | 3107.31 | 3347.34 | 2.90 | 2.66 | 3.27 | 13.19 | 75.72 | 1713.04 |
| 28 Paper, Pckg & Printing(22) | 1480.52 | -0.3 | 1485.40 | 1487.73 | 2162.06 | 6.02 | 5.56 | 2.45 | 8.48 | 68.02 | 880.30 |
| 30 CONSUMER GOODS(91) | 5730.20 | +0.1 | 5722.45 | 5643.36 | 4525.61 | 2.38 | 2.16 | 1.93 | 27.11 | 127.90 | 2290.03 |
| 32 Alcoholic Beverages(6) | 3650.01 | -0.5 | 3666.76 | 3589.29 | 3320.42 | 3.41 | 3.16 | 2.13 | 17.18 | 136.96 | 1482.71 |
| 33 Food Producers(27) | 3687.38 | -1.8 | 3768.49 | 3740.47 | 3215.78 | 2.44 | 2.11 | 2.42 | 21.21 | 82.59 | 1808.56 |
| 34 Household Goods & Texts(22) | 2357.05 | +0.1 | 2354.31 | 2384.94 | 2882.01 | 4.45 | 3.95 | 1.78 | 15.77 | 89.97 | 1010.68 |
| 36 Health Care(13) | 2414.93 | -1.3 | 2447.16 | 2422.32 | 2155.38 | 2.15 | 1.98 | 2.18 | 26.57 | 46.87 | 1558.98 |
| 37 Pharmaceuticals(20) | 9879.99 | +1.3 | 9757.41 | 9605.63 | 7073.70 | 1.79 | 1.87 | 1.59 | 43.97 | 165.24 | 3580.33 |
| 38 Tobacco(3) | 6873.00 | -1.5 | 6980.78 | 6902.33 | 4495.13 | 4.93 | 4.12 | 2.04 | 12.42 | 210.91 | 1947.74 |
| 40 SERVICES(280) | 3233.91 | -0.2 | 3241.58 | 3234.37 | 2793.87 | 2.68 | 2.20 | 2.12 | 22.01 | 62.21 | 1794.41 |
| 41 Distributors(25) | 1867.45 | +0.1 | 1865.65 | 1862.95 | 2539.11 | 5.31 | 4.38 | 2.01 | 11.74 | 73.51 | 748.37 |
| 42 Leisure & Hotels(29) | 2881.78 | -0.9 | 2908.07 | 2949.12 | 3173.95 | 3.27 | 2.74 | 2.82 | 14.58 | 79.87 | 1646.33 |
| 43 Media(35) | 4043.04 | -0.6 | 4066.07 | 4070.17 | 4081.77 | 2.59 | 2.18 | 2.16 | 22.32 | 84.32 | 1544.09 |
| 44 Retailers, Food(13) | 2782.87 | -0.6 | 2800.61 | 2886.54 | 2702.84 | 3.30 | 2.64 | 2.18 | 17.52 | 68.90 | 1916.54 |
| 45 Retailers, General(49) | 2038.72 | +0.9 | 2019.84 | 2022.42 | 2293.83 | 3.75 | 3.00 | 2.10 | 15.86 | 59.06 | 1260.02 |
| 46 Telecommunications(8) | 4720.13 | -0.5 | 4743.[illegible] | 4669.23 | 2520.41 | 1.89 | 1.55 | 1.71 | 38.55 | 47.70 | 2315.17 |
| 47 Breweries, Pubs & Rest.(24) | 3382.83 | -0.3 | 3392.83 | 3436.41 | 3322.03 | 3.65 | 2.93 | 2.37 | 14.44 | 71.77 | 1740.37 |
| 48 Support Services(65) | 4076.53 | -1.2 | 4125.35 | 4064.44 | 3349.01 | 1.52 | 1.28 | 2.72 | 30.31 | 49.11 | 2700.33 |
| 49 Transport(25) | 3481.04 | +1.3 | 3418.11 | 3395.13 | 2903.91 | 3.08 | 2.61 | 2.02 | 20.04 | 83.78 | 1562.13 |
| 60 UTILITIES(21) | 4352.57 | -0.1 | 4355.55 | 4347.51 | 3246.00 | 3.74 | 3.09 | 1.75 | 19.10 | 101.47 | 2103.74 |
| 62 Electricity(8) | 4844.63 | +0.6 | 4815.38 | 4799.92 | 3587.05 | 4.21 | 3.37 | 1.88 | 16.00 | 113.96 | 2865.29 |
| 64 Gas Distribution(2) | 3480.29 | -0.4 | 3495.73 | 3463.85 | 2392.88 | 1.94 | 1.55 | ‡ | ‡ | 54.02 | 2028.67 |
| 68 Water(11) | 3663.92 | -0.9 | 3696.28 | 3728.20 | 3083.89 | 4.71 | 4.14 | 2.36 | 11.24 | 112.14 | 2293.09 |
| 69 NON-FINANCIALS(823) | 2603.84 | -0.1 | 2606.86 | 2595.06 | 2333.08 | 3.00 | 2.58 | 1.97 | 21.14 | 61.77 | 2144.04 |
| 70 FINANCIALS(106) | 4721.75 | -0.5 | 4744.04 | 4675.59 | 4384.32 | 3.49 | 2.89 | 2.16 | 18.55 | 134.84 | 2208.79 |
| 71 Banks, Retail(12) | 6981.86 | -0.4 | 7007.80 | 6885.48 | 6460.62 | 3.86 | 2.93 | 2.12 | 16.12 | 199.47 | 2473.28 |
| 73 Insurance(15) | 2071.27 | -1.1 | 2093.75 | 2054.53 | 1895.32 | 3.41 | 3.22 | 2.01 | 18.22 | 77.07 | 1736.22 |
| 74 Life Assurance(8) | 6786.67 | -0.3 | 6804.01 | 6710.40 | 5384.60 | 2.84 | 2.45 | 2.70 | 16.29 | 167.30 | 3059.40 |
| 77 Other Financial(26) | 3479.02 | -0.7 | 3504.80 | 3479.98 | 3278.67 | 3.15 | 2.61 | 2.58 | 15.36 | 97.88 | 2142.37 |
| 79 Property(44) | 1762.06 | -0.5 | 1771.47 | 1774.07 | 2138.11 | 3.78 | 3.19 | 1.61 | 20.56 | 41.82 | 1167.05 |
| 80 INVESTMENT TRUSTS(115) | 3424.97 | -0.6 | 3445.20 | 3406.34 | 3257.27 | 2.37 | 1.83 | 1.18 | 44.71 | 58.91 | 1257.00 |
| 89 FTSE All-Share(843) | 2531.00 | -0.2 | 2536.44 | 2513.44 | 2290.99 | 3.10 | 2.64 | 2.01 | 20.09 | 62.33 | 2320.35 |
| 105 FTSE All-Share ex Inv Tr(728) | 2540.17 | -0.2 | 2545.36 | 2527.59 | 2296.03 | 3.12 | 2.66 | 2.02 | 19.79 | 83.09 | 1198.24 |
| Information Technology | 1230.72 | — | 1230.84 | 1219.55 | - | 0.76 | 0.61 | 4.09 | 40.21 | 6.95 | 1236.82 |
| FTSE Fledgling | 1136.27 | -0.1 | 1137.39 | 1136.41 | 1251.07 | 3.85 | 3.17 | 1.44 | 22.47 | 32.34 | 1276.11 |
| FTSE Fledgling ex Inv Tr | 1141.48 | -0.1 | 1142.16 | 1143.17 | 1271.81 | 4.21 | 3.47 | 1.54 | 19.28 | 36.08 | 1288.89 |
| FTSE AIM | 827.9 | -0.1 | 828.4 | 820.4 | 983.0 | 1.15 | 0.92 | 0.52 | 80.00† | 9.35 | 769.24 |

**Hourly movements**

| | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5505.4 | 5521.7 | 5539.9 | 5535.4 | 5537.8 | 5545.5 | 5519.8 | 5516.1 | 5562.4 | 5491.9 |
| FTSE 250 | 4833.5 | 4827.4 | 4825.2 | 4820.6 | 4818.3 | 4818.4 | 4816.6 | 4814.5 | 4835.1 | 4806.5 |
| FTSE 350 | 2621.0 | 2626.9 | 2633.9 | 2631.7 | 2632.4 | 2635.5 | 2625.1 | 2623.6 | 2643.0 | 2615.8 |
| FTSE SmallCap | 2066.08 | 2065.21 | 2065.06 | 2064.59 | 2064.50 | 2064.08 | 2062.72 | 2061.70 | 2068.50 | 2060.91 |
| FTSE All-Share | 2534.33 | 2539.72 | 2548.15 | 2544.06 | 2544.78 | 2547.82 | 2537.98 | 2536.37 | 2554.53 | 2529.52 |

Time of FTSE 100 Day's high: 10:19:59 Day's low: 9:35:15. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 10:19:00 Day's low: 9:35:00. FTSE All-Share 1998 High: 2685.20 (20/07/98) Low: 2166.10 (05/10/98)

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FTSE INTERNATIONAL

## TRADING VOLUME

**Major Stocks yesterday.**

| | Vol 000's | Closing price | Day's change |
|---|---|---|---|
| 3i | 757 | 530 | -4 |
| AMVESCAP | 1,900 | 420½ | -2½ |
| ASDA Group | 3,100 | 159½ | -1½ |
| Abbey National | 2,630 | 1228 | +3 |
| Alliance & Leicester | 1,400 | 868 | -2 |
| Allied Domecq | 1,100 | 511 | -4 |
| Allied Zurich | 5,200 | 720 | -18 |
| Anglian Water† | 1,500 | 860 | -9½ |
| Assoc. Brit. Foods | 772 | 407 | -27 |
| BAA | 2,600 | 650 | -2 |
| BOC | 874 | 848 | +18 |
| BG | 5,300 | 403½ | -3½ |
| BP | 28,000 | 937½ | +15¼ |
| BSkyB | 1,800 | 490 | -5½ |
| BT | 5,400 | 821 | -7 |
| BTR | 13,800 | 100 | -6 |
| Bank of Scotland | 2,100 | 797½ | -10½ |
| Barclays | 3,300 | 1275 | -19 |
| Bass | 1,700 | 765½ | +8 |
| Billiton | 3,200 | 132½ | -5½ |
| Boots | 640 | 975 | +2 |
| Britannic Assurance† | 522 | 1240 | -10 |
| Brit. Aerospace | 3,000 | 465 | +8 |
| British Airways | 4,800 | 360½ | +11 |
| Brit. Amer. Tobacco | 3,300 | 515½ | -14½ |
| British Energy | 1,600 | 628 | -18 |
| British Land | 1,100 | 516 | -4 |
| CGU | 2,000 | 907 | -18 |
| CMG† | 52 | 1451 | -29 |
| COLT Telecom | 860 | 712 | +40 |
| Cable & Wireless | 4,100 | 698 | +40 |
| Cadbury Schweppes | 906 | 884 | -11 |
| Carlton Comms. | 2,100 | 413 | -18 |
| Centrica | 7,000 | 119¼ | -1 |
| Compass | 1,400 | 610 | -11 |
| Dixons | 3,100 | 660 | -8 |
| EMI | 1,700 | 384 | -18 |
| Diageo† | 2,900 | 679 | +40 |
| Foreign & Col. I T | 578 | 178¼ | -1½ |
| General Electric | 3,700 | 478 | -8 |
| Gallaher† | 1,400 | 442 | -8 |
| Glaxo Wellcome | 5,700 | 1804 | +34 |
| Granada | 1,300 | 849 | +7 |
| GUS | 2,700 | 625 | +2 |
| GRE | 5,300 | 293¼ | +18¼ |
| GKN | 3,200 | 886 | -32 |
| HSBC (75p shs) | 2,800 | 1443 | -42 |
| HSBC (HK$10) | 1,400 | 1372 | -46 |
| Halifax | 1,800 | 822½ | +11½ |
| Hays | 2,000 | 488 | -1 |
| ICI | 1,400 | 575 | -10 |
| Imperial Tobacco† | 1,400 | 677½ | +7½ |
| Kingfisher | 2,800 | 542½ | +6½ |
| Ladbroke | 11,300 | 211 | -9½ |
| Land Securities | 2,100 | 835 | -10 |
| Legal & General | 650 | 708½ | -7 |
| Lloyds TSB | 5,400 | 780 | -6½ |
| LucasVarity | 1,400 | 198½ | -3½ |
| Marks & Spencer | 13,000 | 442 | +1 |
| Mepc | 2,500 | 408½ | +13½ |
| NatWest Bank | 3,900 | 979 | +29 |
| National Grid | 13,000 | 451 | +11 |
| National Power | 3,000 | 530 | +8 |
| Norwich Union | 1,800 | 428½ | -3½ |
| Nycomed Amersham | 1,400 | 384 | -3 |
| Orange | 3,400 | 598 | -3 |
| Pearson | 1,200 | 997 | +12 |
| P & O | 1,300 | [illegible] | +3 |
| PowerGen | [illegible] | 864 | ±0 |
| Prudential | 1,600 | 813½ | +11½ |
| Railtrack | 1,600 | 1712 | +2 |
| Reckitt & Colman | 615 | 900 | |
| Reed Intl | 1,500 | 480 | -32 |
| Rentokil Initial | 3,500 | [illegible] | -7½ |
| Reuters | 3,000 | 694 | -18 |
| Rio Tinto | 3,500 | 802½ | +2½ |
| Rolls Royce | 3,200 | 238 | -4 |
| Royal & Sun Alliance | 2,300 | 450 | -11½ |
| Royal Bank Scotland | 3,400 | 808½ | +23½ |
| Safeway | 1,600 | 276 | -6¼ |
| Sainsbury | 2,200 | 520 | +10 |
| Schroders | 149 | 1000 | -32 |
| Schroders N/V | 32 | 905 | -61 |
| Scottish & Newcastle | 1,800 | 735 | -8 |
| Scottish Power | 3,200 | 647½ | +4½ |
| Securicor | 3,100 | 475 | +9 |
| Sema | 632 | 478 | +48 |
| Severn Trent | 1,200 | 1000 | -18 |
| Shell Transport | 17,000 | 356¾ | -2¾ |
| Siebe | 2,400 | 232 | -8 |
| SmithKline Beecham | 7,000 | 730 | +5½ |
| Smiths Inds. | 711 | 824 | +27 |
| Southern Electric | 355 | 585 | -4½ |
| Stagecoach | 2,300 | 342½ | +14½ |
| Standard Chartered | 1,900 | 613½ | -5½ |
| Sun Life & Provincial | 198 | [illegible] | [illegible] |
| TeleWest Comms. | 1,300 | 128 | -3 |
| Tesco | 6,600 | 168 | -3¼ |
| Thames Water | [illegible] | 1170 | -7 |
| Tomkins | 1,600 | 273½ | +4 |
| Unilever | 4,900 | 630 | -8 |
| Utd. News & Media | 1,700 | 638 | +26 |
| United Utilities | 682 | 780 | -8 |
| Vodafone | 15,000 | 838 | -13¼ |
| WPP | 2,100 | 220½ | +4½ |
| Whitbread | 740 | 780 | -7 |
| Williams | 1,200 | 354 | -17½ |
| Wolseley | 1,600 | 370½ | +3 |
| Zeneca | 1,900 | 2310 | +15 |

Based on trading volume for the FTSE 100 constituents processed and reported yesterday until 4.30pm. † Indicates a major, non-index holding. All trades are covered. Source: Reuters, part of FT information.

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FINANCIAL TIMES
No FT, no comment.

*Source: EBRS '96

هكذا من الاصل

صكنا من الاجل



# WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

## EUROPE

**AUSTRIA (Nov 17 / Sch)**

[illegible]

**BELGIUM/LUXEMBOURG (Nov 17 / Frs.)**

[illegible]

**CZECH REP (Nov 17 / Koruna)**

[illegible]

**DENMARK (Nov 17 / Kr)**

[illegible]

**FINLAND (Nov 17 / Mkn)**

[illegible]

**FRANCE (Nov 17 / Frs.)**

[illegible]

**GERMANY (Nov 17 / Dm.)**

[illegible]

**GREECE (Nov 17 / Drachma)**

[illegible]

**IRELAND (Nov 17 / Punt)**

[illegible]

**ITALY (Nov 17 / Lira)**

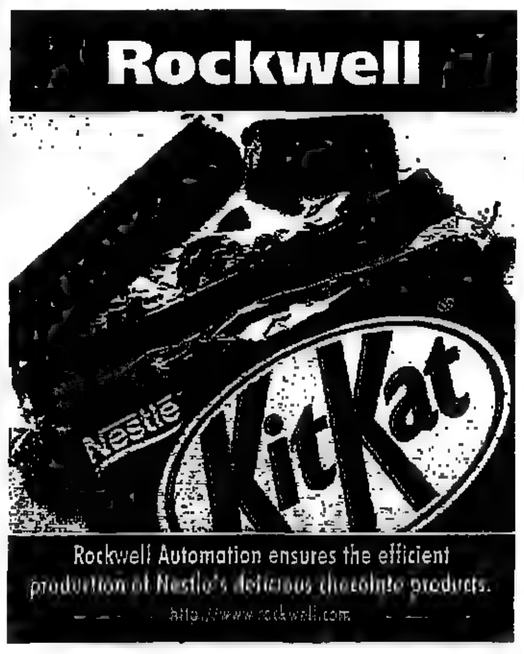
[illegible]

**NETHERLANDS (Nov 17 / Fls.)**

[illegible]

**NORWAY (Nov 17 / Kroner)**

[illegible]




**POLAND (Nov 17 / Zloty)**

[illegible]

**PORTUGAL (Nov 17 / Escudo)**

[illegible]

**SPAIN (Nov 17 / Pts.)**

[illegible]

**SWEDEN (Nov 17 / Kronor)**

[illegible]

**SWITZERLAND (Nov 17 / Frs.)**

[illegible]

**TURKEY (Nov 17 / Tk Lira)**

[illegible]

## PACIFIC

**JAPAN (Nov 17 / Yen)**

[illegible]

**HONG KONG (Nov 17 / H.K.$)**

[illegible]

**INDONESIA (Nov 16 / Rupiah)**

[illegible]

**MALAYSIA (Nov 17 / MYR)**

[illegible]

**NEW ZEALAND (Nov 17 / NZ $)**

[illegible]

**SINGAPORE (Nov 17 / S$)**

[illegible]

**AUSTRALIA (Nov 17 / Aus$)**

[illegible]

**SOUTH KOREA (Nov 17 / Won)**

[illegible]

**TAIWAN (Nov 17 / TW $)**

[illegible]

**THAILAND (Nov 17 / Baht)**

[illegible]

## AMERICAS

**CANADA**

**MONTREAL (Nov 17 / Can $)** 4 pm close

[illegible]

**TORONTO (Nov 17 / Can $)** 4 pm close

[illegible]

**MEXICO (Nov 17 / Peso)** 12.30pm

[illegible]

## AFRICA

**SOUTH AFRICA (Nov 17 / Rand)**

[illegible]

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

| NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock) | MONDAY NOVEMBER 16 1998: US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | FRIDAY NOVEMBER 13 1998: US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX: 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (75) | 197.55 | -0.2 | 174.82 | 149.59 | 171.19 | 205.23 | -0.3 | 3.64 | 197.92 | 176.17 | 152.91 | 173.81 | 205.89 | 219.96 | 163.66 | 200.74 |
| Austria (22) | 184.93 | 2.8 | 163.65 | 140.03 | 160.25 | 160.13 | 1.4 | 2.18 | 179.95 | 160.18 | 139.03 | 158.03 | 157.92 | 253.73 | 166.45 | 188.20 |
| Belgium (22) | 376.41 | 2.5 | 333.10 | 285.02 | 326.17 | 319.23 | 1.1 | 2.12 | 367.33 | 326.97 | 283.80 | 322.58 | 315.65 | 398.52 | 245.39 | 245.39 |
| Brazil (32) | 158.90 | 4.6 | 140.62 | 120.32 | 137.69 | 348.17 | 4.5 | 2.56 | 151.95 | 135.26 | 117.40 | 133.44 | 333.01 | 269.34 | 102.68 | 202.95 |
| Canada (119) | 191.29 | 0.2 | 169.28 | 144.85 | 165.76 | 215.60 | 0.5 | 1.84 | 190.89 | 169.92 | 147.49 | 167.64 | 214.49 | 248.78 | 159.94 | 212.99 |
| Denmark (34) | 475.07 | 1.7 | 420.41 | 359.72 | 411.67 | 409.41 | 0.3 | 1.71 | 467.03 | 415.72 | 360.83 | 410.14 | 408.05 | 537.33 | 408.36 | 408.36 |
| Finland (26) | 449.04 | 2.4 | 397.38 | 340.02 | 389.12 | 477.65 | 1.1 | 1.91 | 438.46 | 390.29 | 338.75 | 385.05 | 472.68 | 506.46 | 267.59 | 298.20 |
| France (75) | 302.70 | 2.7 | 267.87 | 229.21 | 262.30 | 265.43 | 1.4 | 2.36 | 294.63 | 262.26 | 227.63 | 258.74 | 261.83 | 345.18 | 222.08 | 222.08 |
| Germany (55) | 268.17 | 4.5 | 237.32 | 203.06 | 232.38 | 232.38 | 3.1 | 1.39 | 258.76 | 228.55 | 198.37 | 225.48 | 225.48 | 325.61 | 211.61 | 211.61 |
| Greece (35) | 289.15 | 5.1 | 255.89 | 218.95 | 250.57 | 581.56 | 3.8 | 1.49 | 275.17 | 244.94 | 212.59 | 241.65 | 560.12 | 333.20 | 211.47 | – |
| Hong Kong, China (67) | 318.76 | 2.9 | 282.09 | 241.37 | 276.22 | 316.89 | 2.9 | 4.13 | 309.89 | 275.84 | 239.42 | 272.14 | 308.08 | 389.07 | 196.64 | 342.02 |
| Indonesia (26) | 43.30 | 0.6 | 38.32 | 32.79 | 37.52 | 203.22 | -0.1 | 1.57 | 43.06 | 38.33 | 33.27 | 37.81 | 203.40 | 113.69 | 19.04 | 112.91 |
| Ireland (16) | 484.76 | 3.2 | 428.99 | 367.07 | 420.07 | 457.65 | 2.0 | 2.07 | 469.57 | 417.98 | 362.79 | 412.37 | 449.06 | 560.44 | 373.78 | 373.78 |
| Italy (53) | 158.58 | 3.3 | 140.34 | 120.08 | 137.42 | 195.32 | 1.9 | 1.43 | 153.51 | 136.65 | 118.60 | 134.81 | 191.60 | 184.49 | 106.80 | 106.80 |
| Japan (446) | 96.81 | 3.1 | 85.67 | 73.30 | 83.89 | 73.30 | 1.1 | 1.03 | 93.88 | 83.57 | 72.53 | 82.45 | 72.53 | 109.73 | 76.83 | 95.81 |
| Mexico (23) | 1136.43 | -0.7 | 1005.69 | 860.51 | 984.77 | 12389.12 | -0.9 | 2.08 | 1144.34 | 1018.62 | 884.11 | 1004.95 | 12506.58 | 1803.07 | 787.15 | 1489.90 |
| Netherlands (27) | 480.35 | 3.5 | 425.09 | 363.72 | 416.24 | 412.04 | 2.2 | 2.26 | 463.90 | 412.93 | 358.41 | 407.39 | 403.32 | 562.38 | 391.03 | 395.79 |
| New Zealand (18) | 59.89 | 0.7 | 53.00 | 45.35 | 51.90 | 59.07 | 0.5 | 4.89 | 59.50 | 52.96 | 45.97 | 52.25 | 58.76 | 85.33 | 45.68 | 85.05 |
| Norway (38) | 226.84 | -0.5 | 200.74 | 171.77 | 196.57 | 229.49 | -1.2 | 2.62 | 228.00 | 202.96 | 176.18 | 200.23 | 232.20 | 357.71 | 181.86 | 338.28 |
| Philippines (22) | 77.31 | 3.4 | 68.42 | 58.54 | 66.99 | 154.59 | 2.5 | 1.00 | 74.76 | 66.55 | 57.76 | 65.65 | 150.89 | 106.98 | 42.48 | 87.75 |
| Portugal (18) | 254.24 | 3.6 | 224.98 | 192.51 | 220.31 | 297.50 | 2.2 | 1.09 | 245.47 | 218.50 | 189.65 | 215.57 | 291.11 | 299.39 | 194.13 | – |
| Singapore (41) | 188.23 | 4.9 | 166.57 | 142.53 | 163.11 | 141.30 | 3.4 | 2.23 | 179.45 | 159.73 | 138.64 | 157.59 | 136.65 | 264.82 | 102.45 | 243.94 |
| South Africa (39) | 210.00 | 1.4 | 185.84 | 159.01 | 181.97 | 260.03 | 0.0 | 3.58 | 207.07 | 184.32 | 159.98 | 181.84 | 260.02 | 346.20 | 151.55 | 270.53 |
| Spain (30) | 366.32 | 3.8 | 324.18 | 277.38 | 317.43 | 393.46 | 2.4 | 2.01 | 352.88 | 314.09 | 272.62 | 309.87 | 384.10 | 417.73 | 246.03 | 246.03 |
| Sweden (48) | 472.09 | 2.6 | 417.78 | 357.47 | 409.09 | 564.23 | 1.8 | 2.07 | 460.28 | 409.71 | 355.61 | 404.21 | 554.47 | 628.19 | 379.18 | 460.14 |
| Switzerland (30) | 392.49 | 2.4 | 347.33 | 297.19 | 340.11 | 333.89 | 1.0 | 1.28 | 383.18 | 341.08 | 296.04 | 336.51 | 330.61 | 439.48 | 307.73 | 309.38 |
| Thailand (35) | 20.26 | 4.8 | 17.93 | 15.34 | 17.56 | 28.70 | 3.8 | 3.30 | 19.34 | 17.22 | 14.94 | 16.99 | 27.68 | 33.84 | 8.15 | 30.65 |
| United Kingdom (208) | 359.35 | 1.4 | 318.00 | 272.10 | 311.39 | 318.00 | 0.8 | 3.09 | 354.49 | 315.54 | 273.88 | 311.31 | 315.54 | 401.84 | 307.96 | 316.64 |
| USA (620) | 464.81 | 0.9 | 411.34 | 351.96 | 402.78 | 464.81 | 0.9 | 1.40 | 460.77 | 410.15 | 355.89 | 404.64 | 460.77 | 485.88 | 377.88 | 377.88 |
| Americas (800) | 414.00 | 0.9 | 366.37 | 313.48 | 358.75 | 351.25 | 0.9 | 1.43 | 410.43 | 365.34 | 317.10 | 360.44 | 348.19 | 437.03 | 343.27 | 343.27 |
| Europe (737) | 336.47 | 2.6 | 297.76 | 254.78 | 291.57 | 303.16 | 1.5 | 2.22 | 327.89 | 291.87 | 253.33 | 287.95 | 298.62 | 396.24 | 272.19 | 272.19 |
| Eurobloc (346) | 97.30 | 3.5 | 86.11 | 73.68 | 84.32 | 91.26 | 2.1 | 1.86 | 94.02 | 83.69 | 72.64 | 82.57 | 89.37 | 113.28 | 81.53 | – |
| Nordic (146) | 442.44 | 2.1 | 391.54 | 335.02 | 383.39 | 444.57 | 1.1 | 2.01 | 433.11 | 385.53 | 334.62 | 380.35 | 439.58 | 555.87 | 360.04 | 407.65 |
| Pacific Basin (730) | 104.84 | 2.8 | 92.78 | 79.39 | 90.85 | 81.58 | 1.1 | 1.59 | 102.00 | 90.79 | 78.80 | 89.57 | 80.67 | 119.48 | 82.88 | 107.50 |
| Euro-Pacific (1467) | 201.08 | 2.7 | 177.95 | 152.26 | 174.25 | 164.64 | 1.4 | 2.03 | 195.86 | 174.34 | 151.32 | 172.00 | 162.36 | 220.19 | 166.00 | 178.20 |
| North America (739) | 446.38 | 0.8 | 395.03 | 338.01 | 386.81 | 447.70 | 0.9 | 1.42 | 442.61 | 393.98 | 341.96 | 388.69 | 443.86 | 469.20 | 367.39 | 367.55 |
| Europe Ex. UK (529) | 313.75 | 3.2 | 277.66 | 237.58 | 271.88 | 296.78 | 1.9 | 1.80 | 303.94 | 270.55 | 234.82 | 266.81 | 281.48 | 366.32 | 242.57 | 242.57 |
| Europe Ex. Eurobloc (381) | 91.90 | 1.7 | 81.33 | 69.59 | 79.64 | 90.19 | 0.9 | 2.58 | 90.36 | 80.43 | 69.81 | 79.36 | 89.39 | 103.93 | 77.40 | – |
| Europe Ex. UK Ex. Eurobloc (183) | 92.65 | 2.4 | 81.99 | 70.15 | 80.29 | 88.44 | 1.1 | 1.54 | 90.47 | 80.53 | 69.90 | 79.45 | 87.43 | 109.21 | 75.16 | – |
| Pacific Ex. Japan (284) | 181.14 | 1.6 | 160.30 | 137.16 | 156.96 | 183.07 | 1.4 | 3.74 | 178.34 | 158.75 | 137.78 | 156.62 | 180.59 | 217.77 | 128.26 | 209.21 |
| World Ex. Eurobloc (1960) | 97.80 | 1.3 | 86.55 | 74.06 | 84.75 | 96.55 | 0.9 | 1.67 | 96.53 | 85.92 | 74.58 | 84.77 | 95.67 | 103.16 | 83.09 | – |
| World Ex. US (1686) | 200.94 | 2.6 | 177.82 | 152.15 | 174.12 | 169.70 | 1.4 | 2.04 | 195.95 | 174.42 | 151.38 | 172.08 | 167.42 | 221.91 | 185.95 | 180.00 |
| World Ex. UK (2098) | 279.01 | 1.7 | 246.91 | 211.26 | 241.77 | 248.78 | 1.1 | 1.55 | 274.35 | 244.21 | 211.96 | 240.93 | 245.97 | 288.02 | 234.66 | 236.81 |
| World Ex. Japan (1860) | 380.13 | 1.5 | 336.39 | 287.83 | 329.40 | 368.35 | 1.1 | 1.78 | 374.52 | 333.37 | 289.35 | 328.90 | 384.30 | 411.23 | 317.62 | 317.62 |
| The World Index (2306) | 285.91 | 1.7 | 253.01 | 216.49 | 247.75 | 255.19 | 1.1 | 1.71 | 281.22 | 250.33 | 217.27 | 246.97 | 252.39 | 306.56 | 242.08 | 243.59 |

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## Emerging markets: IFC investable indices

Dollar terms

| Nov 18 Market | | Day's chg % | % Chg since 31/12/97 |
|---|---|---|---|
| **Latin America** | | | |
| Argentina | 871.36 | +1.0 | -21.9 |
| Brazil | 319.03 | +4.5 | -33.6 |
| Chile | 480.49 | +0.1 | -35.2 |
| Colombia[1] | 376.66 | -0.0 | -54.4 |
| Mexico | 482.45 | -0.6 | -38.8 |
| Peru[2] | 143.26 | +2.5 | -35.3 |
| Venezuela[3] | 337.16 | -0.3 | -63.2 |
| **East Asia** | | | |
| China[4] | 30.76 | +2.2 | -44.4 |
| India[5] | 62.22 | -1.0 | -25.4 |
| Indonesia[6] | 21.46 | +0.7 | -56.2 |
| Korea[5] | 34.38 | +5.7 | +43.1 |
| Malaysia | 73.28 | -0.9 | -19.6 |
| Pakistan[7] | 93.43 | +3.1 | -52.4 |
| Philippines | 110.50 | +4.1 | -2.0 |
| Sri Lanka[10] | 89.49 | +2.6 | -40.3 |
| Taiwan, China[8] | 121.89 | +3.5 | -13.6 |
| Thailand | 61.70 | +4.5 | +31.2 |
| **Europe** | | | |
| Czech Rep | 49.19 | +2.9 | -10.1 |
| Greece | 523.55 | +5.2 | +61.6 |
| Hungary[11] | 261.47 | +3.1 | -16.9 |
| Poland[12] | 557.63 | +7.5 | -4.9 |
| Portugal | 288.00 | +4.1 | +36.5 |
| Russia | 22.44 | -0.4 | -84.9 |
| Slovakia | 41.44 | +2.0 | -58.2 |
| Turkey[14] | 139.98 | +9.2 | -55.2 |
| **Mideast/Africa** | | | |
| Egypt | 65.08 | -0.9 | -30.2 |
| Israel | 96.19 | -1.6 | -21.0 |
| Jordan | 205.84 | -0.1 | -2.1 |
| Morocco | 172.20 | +0.6 | +32.2 |
| S Africa[13] | 140.02 | +1.7 | -22.1 |
| Zimbabwe[15] | 96.62 | -0.1 | -61.6 |
| **Regions** | | | |
| Composite | 185.08 | +2.7 | -24.8 |
| Latin America | 447.10 | +1.5 | -34.0 |
| Asia | 95.32 | +3.4 | -11.5 |
| EMEA | 114.16 | +3.3 | -22.7 |
| Europe | 130.84 | +5.1 | -25.8 |
| Easte Europe | 57.22 | +3.6 | -59.2 |
| ME & Africa | 57.59 | +1.6 | -18.5 |
| Comp + Malay | 185.68 | +2.5 | -24.5 |
| Asia + Malay | 94.88 | +2.5 | -12.0 |

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993. Latest indices were unavailable for this edition.

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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*4 pm close November 17*

# NEW YORK STOCK EXCHANGE PRICES

| 1998 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|

## - A -

[illegible]

## - B -

[illegible]

## - C -

[illegible]

## - D -

[illegible]

## - E -

[illegible]

## - F -

[illegible]

## - G -

[illegible]

## - H -

[illegible]

## - I -

[illegible]

## - J -

[illegible]

## - K -

[illegible]

## - L -

[illegible]

## - M -

[illegible]

## - N -

[illegible]

## - O -

[illegible]

## - P - Q -

[illegible]

## - R -

[illegible]

## - S -

[illegible]

## - T -

[illegible]

## - U -

[illegible]

## - V -

[illegible]

## - W -

[illegible]

## - X - Y - Z -

[illegible]

*Price data supplied by Exel, part of FT Information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial. d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Bankruptcy companies.


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## EUROBENCH® "INSECTS®" INDICES

European Benchmarks sa-sa (EuroBench) is a self-regulated, independent index publisher based in Brussels and London. The INSECTS® are pan-European equity "INdices on SECTorS" based and weighted on the volatility and correlation of each of the index constituent stocks with the sector trend. The selection of INSECTS® constituents is from the TOP 500 European stocks by market capitalisation. Values are continuously updated (every 5 seconds) on Bloomberg, Bridge, Reuters, Telerate, Telekurs and TES from 09.00 to 18.15 CET. Prices preceded by I = indicative value. SETT = settlement

| Sector | | SETT 17-11-1998 | Close 17-11-1998 | Previous 16-11-1998 | Change on day | % Change | 1998 HIGH | 1998 LOW |
|---|---|---|---|---|---|---|---|---|
| Financials | USD | 7053.41 | 1945.21 | 1946.98 | -1.77 | -0.09 | 2451.60 | 1445.35 |
| EI-FIN | DEM | 2275.97 | 2280.65 | 2266.40 | +0.25 | +0.01 | 3060.15 | 1658.17 |
| Non-durable goods | USD | 1740.70 | 1734.85 | 1743.35 | -8.50 | -0.46 | 1768.67 | 1234.52 |
| EI-GOODS | DEM | 2028.21 | 2021.53 | 2029.35 | -7.82 | -0.39 | 2155.63 | 1510.26 |
| Oils | USD | 1325.14 | 1318.98 | 1336.50 | -17.52 | -1.34 | 1633.96 | 1132.50 |
| EI-OIL | DEM | 1543.96 | 1536.47 | 1555.76 | -19.29 | -1.24 | 2027.16 | 1381.56 |
| Pharmo-chemicals | USD | 1461.81 | 1452.03 | 1477.66 | -25.63 | -1.74 | 1600.68 | 1288.39 |
| EI-PHARMA | DEM | 1703.20 | 1691.97 | 1730.32 | -38.35 | -1.94 | 2115.51 | 1445.92 |
| Telecoms | USD | 2235.32 | 2227.84 | 2220.64 | +4.80 | +0.20 | 2648.47 | 1495.47 |
| EI-TELCO | DEM | 2604.44 | 2595.74 | 2585.18 | +10.56 | +0.40 | 3308.95 | 1953.24 |

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# GLOBAL EQUITY MARKETS

## US INDICES

| Dow Jones | Nov 16 | Nov 13 | Nov 12 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 8911.25 | 8919.59 | 8829.74 | 9337.97 (17/7) | 7539.07 (31/8) | 9337.97 (17/7/98) | 41.22 (8/7/32) |
| Home Bonds | 108.38 | 106.48 | 108.95 | 107.82 (5/10) | 104.42 (11/5) | 107.02 (8/10/98) | 54.99 (1/10/81) |
| Transport | 2919.85 | 2871.39 | 2842.36 | 3686.02 (15/4) | 2345.00 (8/10) | 3686.02 (15/4/98) | 13.23 (8/7/32) |
| Utilities | 309.54 | 308.87 | 305.82 | 320.51 (9/10) | 262.89 (9/1) | 320.51 (9/10/98) | 10.50 (8/7/32) |

DJ Ind. Day's high 8930.12 (8882.18) Low 8868.09 (8782.62) (Theoretical)
Day's high 8930.30 (8925.31) Low 8820.88 (8829.84) (Actual)

| Standard and Poors | Nov 16 | Nov 13 | Nov 12 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 1135.86 | 1125.72 | 1118.17 | 1186.75 (17/7) | 927.89 (9/1) | 1186.75 (17/7/98) | 4.40 (1/6/32) |
| Industrials¶ | 1358.89 | 1346.14 | 1340.19 | 1389.48 (17/7) | 1077.40 (9/1) | 1389.48 (17/7/98) | 3.52 (30/6/32) |
| Financial¶ | 122.88 | 121.19 | 118.54 | 147.88 (14/7) | 95.80 (8/10) | 147.88 (14/7/98) | 7.13 (8/8/74) |
| **Others** | | | | | | | |
| NYSE Comp. | 588.28 | 556.17 | 552.58 | 600.75 (17/7) | 477.28 (8/10) | 600.75 (17/7/98) | 4.64 (25/4/42) |
| Amex Comp | 687.72 | 688.36 | 686.88 | 763.87 (22/4) | 583.75 (8/10) | 763.57 (22/4/98) | 324.20 (15/7/88) |
| NASDAQ Cmp | 1861.88 | 1847.99 | 1851.88 | 2014.25 (20/7) | 1419.12 (8/10) | 2014.25 (20/7/98) | 54.87 (9/10/74) |
| Russell 2000 | 360.42 | 398.35 | 392.29 | 491.41 (21/4) | 310.28 (8/10) | 491.41 (21/4/98) | 123.36 (7/12/83) |

### ■ RATIOS

| | Nov 13 | Nov 6 | Oct 30 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.69 | 1.68 | 1.75 | 1.78 |
| | Nov 11 | Nov 4 | Oct 28 | Year ago |
| S & P Ind. Div. yield | 1.29 | 1.30 | 1.38 | 1.56 |
| S & P Ind. P/E ratio | 32.98 | 32.70 | 31.32 | 24.38 |

## US DATA

### ■ MARKET ACTIVITY

| ● Volume (million) | Nov 16 | Nov 13 | Nov 12 |
|---|---|---|---|
| NYSE | 815.590 | 682.270 | 657.293 |
| Amex | 21.186 | 18.843 | 21.588 |
| NASDAQ | 760.042 | 811.646 | 802.908 |

| NYSE | Nov 16 | Nov 13 | Nov 12 |
|---|---|---|---|
| Issues Traded | 3,529 | 3,479 | 3,513 |
| Rises | 1,845 | 1,582 | 1,343 |
| Falls | 1,309 | 1,490 | 1,684 |
| Unchanged | 595 | 487 | 586 |
| New Highs | 53 | 41 | 42 |
| New Lows | 27 | 19 | 25 |

### ■ NYSE TRADING ACTIVITY

Volume : 615,590,000

■ ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Pfizer | 9,889,400 | 53⅜ | -⅜ |
| Compaq | 7,283,300 | 34⅝ | +⅛ |
| Citigrp | 7,205,800 | 44⅝ | +⅞ |
| AmOnLine | 5,955,800 | 148⅝ | +6⅝ |
| AmHome | 5,101,300 | 47⅝ | +⅞ |
| Merrill | 4,966,200 | 40⅝ | +2 |
| Micro | 4,898,000 | 57⅝ | +2⅜ |
| HewPac | 4,699,800 | 66 | +⅛ |
| BellAtn | 4,531,700 | 58⅝ | +1⅝ |
| LucentTech | 4,418,300 | 85⅝ | +1⅝ |

■ BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Cullinet Co | 30⅝ | +3⅛ | +12.6 |
| Pier 1 Imp | 10⅝ | +⅞ | +9.2 |
| Hanson ADR | 71⅝ | +4⅝ | +7.1 |
| Safe | 37⅝ | +1⅝ | +6.8 |
| **Downs** | | | |
| TempltEmMk | 10⅝ | [illegible] | -35.2 |
| Bell Ind | 15⅛ | [illegible] | -11.4 |
| Dr'nth | 17⅛ | -1⅝ | -8.2 |
| EnggyAims | 21⅝ | -1⅝ | -8.2 |

### ■ NASDAQ TRADING ACTIVITY

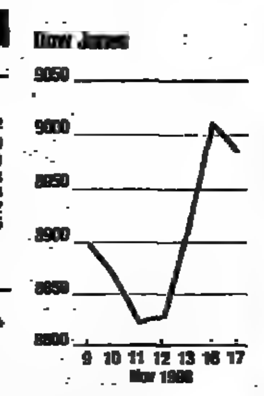
Volume :760,042,000

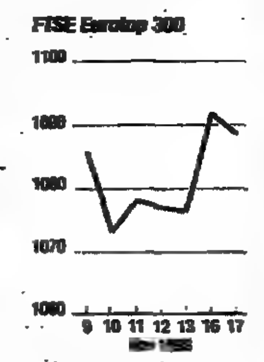
■ ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| DellComp | 31,745,200 | 69⅝ | -⅛ |
| MBD & Co | 18,479,800 | 22⅝ | -⅞ |
| Lycos | 12,578,400 | 58⅝ | +8⅝ |
| Intel | 12,070,800 | 108⅝ | +3⅝ |
| AppleMat | 11,095,400 | 39⅝ | -1⅝ |
| Micsft | 10,883,000 | 108⅝ | -1⅝ |
| CiscoSys | 9,978,500 | 69⅝ | +2⅝ |
| TCI GpA | 7,573,500 | 39⅝ | -⅛ |
| WorldCm | 7,374,200 | 55 | +⅝ |
| Oracle | 7,011,800 | 35⅝ | -⅞ |

■ BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Tel-Sav | 12⅝ | +2⅝ | +26.3 |
| Lycos | 58⅝ | +8⅝ | +16.9 |
| CNET | 57 | +7⅛ | +14.2 |
| OptCntCp | 15 | +1⅝ | +14.3 |
| EarthShell | 10⅝ | [illegible] | +13.8 |
| **Downs** | | | |
| Lakehe | 19⅝ | -3⅛ | -15.8 |
| Mobile | 31⅝ | [illegible] | -10.9 |
| Tel Wkrs | 11⅛ | -1⅝ | -8.7 |




## JAPAN

| | Nov 17 | Nov 16 | Nov 13 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Nikkei 225 | 14413.00 | 14423.27 | 14288.21 | 17264.34 | 12879.97 | 38915.9 | 85.25 |

Day's high 14489.50. Day's low 14276.81

### ■ TOKYO TRADING ACTIVITY

Volume : 386,000,000

■ ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Toshiba | 11,033,000 | 635 | +10 |
| Chiyoda | 8,373,000 | 279 | +19 |
| FujitCo | 8,329,800 | 84 | -6 |
| NpStl | 7,312,000 | 223 | -1 |
| JpMtlCh | 6,502,000 | 246 | +12 |
| BTokM | 6,040,000 | 1225 | +25 |
| SumBnk | 5,667,000 | 1342 | +14 |
| Sakura | 5,481,000 | 349 | -5 |
| SumMt | 5,316,000 | 116 | -3 |
| MitHvy | 4,730,000 | 481 | -4 |

■ BIGGEST MOVERS

| Tuesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| NpSgsl | 498 | +49 | +12.6 |
| Atsugi | 107 | +11 | +11.5 |
| DaidoS | 188 | +18 | +10.6 |
| Itoman | 108 | +19 | +10.1 |
| Yuasa | 298 | +27 | +9.9 |
| TsChikk | 241 | +19 | +8.6 |
| Hasato | 65 | +5 | +8.3 |
| **Downs** | | | |
| Ishiko | [illegible] | -54 | -12.9 |

## FRANCE

| | Nov 17 | Nov 16 | Nov 13 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| CAC 40 | 3601.57 | 3621.85 | 3552.23 | 4388.48 | 2862.54 | 4388.48 | 984.91 |

Day's high 3623.70. Day's low 3584.84.

### ■ PARIS TRADING ACTIVITY

Volume : 338,745,190

■ ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| RhonPA | 1,344,118 | 260 | -4.8 |
| Alstom | 1,135,589 | 141.5 | -8.5 |
| Axa | 1,024,290 | 667 | +25 |
| FrTele | 844,289 | 403 | -3.4 |
| Alcatel | 766,581 | 614 | -2 |
| Usinor | 742,825 | 62 | -3.35 |
| Vivndi | 609,099 | 1225 | +3 |
| MichlnB | 589,577 | 218.8 | -11.4 |
| EurDis | 550,335 | 8.55 | |
| Schndr | 472,371 | 326.9 | +1.9 |

■ BIGGEST MOVERS

| Tuesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Equant | 290 | +18.5 | +6.8 |
| Accor | 1215 | +64 | [illegible] |
| Finaxa | 493.2 | +23.2 | +4.8 |
| SAT | 2171 | +101 | +4.9 |
| **Downs** | | | |
| SGE | 361.1 | -32.9 | -8.1 |
| Alstom | 141.5 | -8.5 | -5.3 |
| Rexel | 465 | -32 | -6.2 |
| Oilfus | 64 | -4 | -5.9 |

## GERMANY

| | Nov 17 | Nov 16 | Nov 13 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DAX | 4702.83 | 4783.77 | 4639.65 | 6171.43 | 3896.08 | 6171.43 | 831.18 |

Day's high 4792.56 Day's low 4702.83

### ■ FRANKFURT TRADING ACTIVITY

Volume : 11,470,723

■ ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| DeutsCh | 2,206,326 | 141.5 | +1 |
| Luftsm | 511,230 | 35 | -0.3 |
| BASF | 489,680 | 62.8 | -2.8 |
| Commzbk | 455,370 | 53.9 | +0.8 |
| Hchst | 451,800 | 76.25 | -2.85 |
| Dt Tel | 438,600 | 46 | -1.8 |
| Bayer | 401,421 | 67 | -1.4 |
| Siemns | 372,844 | 114.2 | -0.7 |
| Dt Bk | 367,774 | 101.7 | +0.2 |
| Veba | 320,586 | 88.5 | -0.9 |

■ BIGGEST MOVERS

| Tuesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| SKW | 44 | +3 | +7.3 |
| Fresenius | 303 | +13 | +4.5 |
| HeidelPt | 130.5 | +4 | +3.2 |
| WellaPf | 1375 | +35 | +2.6 |
| **Downs** | | | |
| Kolbnsrg | 250 | -20 | -7.4 |
| Hag | 1110 | -77 | -6.5 |
| Strabag | 166 | -8 | -5.4 |
| AGIndV | 38.1 | -2 | -5.2 |

## UK

| | Nov 17 | Nov 16 | Nov 13 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| FTSE 100 | 5502.7 | 5510.5 | 5452.2 | 6179.00 | 4648.70 | 6179 | 986.9 |

Day's high 5562.4 Day's low 5481.9

### ■ LONDON TRADING ACTIVITY

Volume : 750,200,000

■ ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| BP | 23,914,030 | 937½ | +15½ |
| Shell T&T | 17,904,660 | 356½ | -2¼ |
| Harlstone | 16,915,170 | 10 | |
| Vodafone | 15,001,530 | 838 | -13½ |
| BTR | 13,524,010 | 100 | -6 |
| Natl Grid | 13,033,420 | 451 | +11 |
| Micro&Speci | 13,019,870 | 449 | +1 |
| SkyePharma | 12,639,230 | 82½ | +8 |
| Camden | 11,654,180 | 117 | |
| Brit. Steel | 11,454,850 | 99 | -2 |

■ BIGGEST MOVERS

| Tuesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Media Bus Gp | 104½ | +28 | +36.8 |
| Alliance Re | 16 | +3 | +23.1 |
| Akzyme | 33½ | +5 | +17.5 |
| Derex Est | [illegible] | +⅝ | +16.7 |
| **Downs** | | | |
| WE Hdg | 39 | -32 | -45.1 |
| Stordata Sol | 2½ | -⅝ | -23.1 |
| United Car. | 11 | -3 | -21.4 |
| Robert Wtr | 285 | [illegible] | -11.9 |

## INDEX FUTURES

| ■ S&P 500 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1134.80 | 1142.00 | +8.70 | 1139.50 | 1137.80 | 77,811 | 388,660 |
| Mar | 1134.80 | 1142.50 | [illegible] | 1155.50 | 1141.50 | 1,789 | 14,876 |
| ■ Nikkei 225 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
| Dec | 14500.0 | 14360.0 | -90.0 | 14510.0 | 14270.0 | 39,519 | 185,304 |
| Mar | 14440.0 | 14310.0 | -10.0 | 14440.0 | 14318.0 | 88 | 7,880 |

Open interest figures for previous day.

| ■ CAC-40 (200 x index) | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Nov | 3628.0 | 3612.6 | -15.5 | 3635.5 | 3605.0 | 42,228 | 205,455 |
| Dec | 3640.0 | 3620.5 | -15.5 | 3649.5 | 3614.0 | 8,445 | 78,513 |
| ■ DAX | | | | | | | |
| Dec | 4800.0 | 4738.0 | -63.8 | 4808.0 | 4725.0 | 18,380 | 79,705 |
| Mar | 4795.0 | 4779.5 | -89.0 | 4813.0 | 4779.0 | 127 | 3,622 |

| ■ OMX | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Nov | 646.00 | 652.00 | +7.00 | 653.00 | 646.00 | 13,709 | 198,772 |
| Dec | 650.00 | 653.00 | +1.00 | 654.50 | 649.25 | 4,308 | 23,591 |
| ■ SOFFEX | | | | | | | |
| Dec | 6755.0 | 6812.0 | +22.0 | 6844.0 | 6743.0 | 18,694 | 153,896 |
| Mar | 6840.0 | 6838.0 | +15.0 | 6848.0 | 6836.0 | 90 | 4,995 |

## WORLD MARKETS AT A GLANCE

| Country | Index | Nov 17 | Nov 16 | Nov 13 | 1998 High | 1998 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Argentina | General | 18624.25 | 18742.18 | 18578.19 | 29485.47 23/3 | 13948.14 10/9 | 3.37 | 12.30 |
| *Shares edged lower at midsession, awaiting news on interest rates from US.* | | | | | | | | |
| Australia | All Ordinaries | 2876.8 | 2874.5 | 2891.3 | 2881.40 18/4 | 2458.20 1/9 | 3.13 | 20.40 |
| | All Mining | 828.8 | 838.6 | 841.1 | 713.10 23/4 | 488.88 31/8 | | |
| *Pulled back from intraday high of 2,898.7 as A$ weakened. Industrials edged ahead while resources fell 0.7 per cent.* | | | | | | | | |
| Austria | Credit Aktien | (x) | 382.43 | 378.80 | 584.34 28/5 | 345.44 8/10 | 1.97 | 12.60 |
| | ATX Index | 1126.89 | 1129.78 | 1108.08 | 1828.59 28/5 | 982.86 1/10 | | |
| *Market closed with marginal losses and turnover centred on just a few issues.* | | | | | | | | |
| Belgium | BEL20 | 3172.09 | 3183.58 | 3172.27 | 3832.07 20/7 | 2357.20 10/1 | 1.76 | 20.30 |
| *Stellar GB lost 3.2 per cent, erasing all previous session's gains, which were made in thin volume.* | | | | | | | | |
| Brazil | Bovespa | 8147.0 | 8004.0 | 7815.0 | 12299.60 16/4 | 4761.60 10/9 | na | na |
| Canada | TSE 100 | 385.33 | 386.83 | 386.98 | 475.83 25/5 | 394.91 5/10 | 1.76 | 18.30 |
| | Metals Mins | 3428.56 | 3482.91 | 3486.20 | 4360.81 10/8 | 2560.10 31/8 | | |
| | TSE300Comp | 6307.60 | 6357.26 | 6338.09 | 7822.39 23/4 | 5335.76 5/10 | | |
| | Portfolio | 3213.60 | [illegible] | 3222.17 | 3985.81 25/5 | 2719.34 5/10 | | |
| *Shares in negative territory at noon, with investors awaiting news from US Federal Reserve.* | | | | | | | | |
| Chile | IGPA Gen | 3730.77 | 3791.73 | 3744.69 | 4981.96 17/3 | 2968.85 14/9 | 3.45 | 11.90 |
| China | Shanghai B | 33.95 | 33.72 | 33.73 | 59.59 19/2 | 30.25 12/8 | 1.46 | 27.80 |
| | Shenzhen B | 63.37 | 63.57 | 62.90 | 88.87 19/2 | 49.88 13/8 | | |
| *Support from domestic institutions lifted Shanghai hard-currency shares.* | | | | | | | | |
| Colombia | IBB | 946.46 | (x) | 946.29 | 1430.46 7/1 | 778.17 14/10 | na | na |
| Czech Republic | PX 50 | 390.0 | 391.4 | 387.4 | 517.30 23/3 | 318.00 8/10 | na | na |
| *Ceska sporitelna eased after Merrill Lynch downgrade, saying bank's privatisation would have to wait to mid 1999.* | | | | | | | | |
| Denmark | CopenhagenSE | 609.61 | 615.89 | 616.43 | 778.84 7/4 | 566.96 9/10 | 1.72 | 16.80 |
| *Copenhagen Airport weak on reports it saw little chance of 1998 passenger volume equalling 1997's 17.1m passengers.* | | | | | | | | |
| Egypt | Cairo SE Gen | 365.65 | 364.86 | (x) | 383.19 21/4 | 346.40 2/2 | na | na |
| *Brokers split on late rally with some saying strong demand from mutual funds emerged in final hour of trade.* | | | | | | | | |
| Finland | Hex General | 4427.73 | 4436.76 | 4398.58 | 5905.49 21/7 | 3239.43 12/1 | 2.42 | 15.00 |
| *Weak Nokia capped gains in broader market inspired by merger of Valmet and Rauma.* | | | | | | | | |
| France | SBF 250 | 2309.23 | 2325.59 | 2294.37 | 2769.73 17/7 | 1673.10 12/1 | 2.54 | 18.80 |
| | CAC 40 | 3601.57 | 3621.85 | 3552.23 | 4388.48 17/7 | 2862.54 12/1 | | |
| *Some profit-takers moved in on view that Monday's closing gain had left CAC vulnerable in absence of fresh news.* | | | | | | | | |
| Germany | FAZ Aktien | 1509.76 | 1498.86 | 1477.01 | 1940.80 20/7 | 1250.98 2/10 | 1.62 | 18.70 |
| | Commerzbank | 4439.10 | 4363.6 | 4328.8 | 6712.80 20/7 | 3690.20 2/10 | | |
| | DAX | 4702.83 | 4783.77 | 4639.65 | 6171.43 20/7 | 3896.08 8/10 | | |
| *Bearish corporate news and weak Wall Street start sent market lower.* | | | | | | | | |
| Greece | Athens General | 2303.88 | 2316.08 | 2284.28 | 2825.52 21/7 | 1390.33 29/1 | 1.82 | 17.80 |
| | FTSE/ASE 20 | 1405.86 | 1408.91 | 1354.24 | 1727.13 21/7 | 786.18 29/1 | | |
| *Stocks lower as investors locked in Monday's strong gains.* | | | | | | | | |
| Hong Kong | Hang Seng | 10148.69 | 10256.09 | 9897.90 | 11810.69 26/3 | 6660.42 13/8 | 3.65 | 13.40 |
| | HSCC Red Chip | 1087.69 | 1083.76 | 1045.46 | 1775.09 27/2 | 576.97 1/9 | | |
| *Dipped amid caution ahead of decision on US interest rates. Turnover eased to HK$8.94bn.* | | | | | | | | |
| Hungary | Bux | 5754.92 | 5736.64 | 5632.89 | 9916.38 23/4 | 3776.02 21/9 | na | na |
| *Shares ended slightly lower although profit-taking put a cap on some of the early gains.* | | | | | | | | |
| India | BSE Sens. | 2988.60 | 2945.49 | 2976.12 | 4280.96 21/4 | 2764.16 30/10 | | |
| | Crisil 500 | 586.50 | 582.33 | 588.54 | 915.82 21/4 | 557.48 30/10 | na | na |
| *Volumes weak because makers stem threatened shut-down of satellite-linked trading terminals.* | | | | | | | | |
| Indonesia | Jakarta Comp. | (x) | 365.22 | 365.64 | 554.10 2/2 | 256.83 21/9 | 2.83 | 22.40 |
| Ireland | ISEQ Overall | 4566.17 | 4516.97† | 4478.49 | 5471.98 21/4 | 3745.11 8/10 | 2.17 | 16.90 |
| Israel | Tel Aviv 100 | 282.88 | 276.52 | 271.48 | 337.48 9/6 | 248.29 8/10 | na | na |
| *Shares stronger for second straight session with investors relieved by stronger tone in shekel against dollar.* | | | | | | | | |
| Italy | BCI Comit 30 | 308.43 | 308.37 | 304.41 | 388.88 20/7 | 248.51 9/10 | 1.55 | 22.60 |
| | Banca Com Ital | 1314.95 | 1312.71 | 1292.57 | 1654.35 7/4 | 1083.50 9/10 | | |
| | Milan Second | 20819.0 | 21004.0 | 20638.0 | 28077.00 8/4 | 18094.80 9/10 | | |
| *Banking shares in focus in what dealers described as portfolio rotation.* | | | | | | | | |
| Japan | Nikkei 225 | 14413.00 | 14423.27 | 14288.21 | 17264.34 3/3 | 12879.97 9/10 | 0.97 | 43.00 |
| | Nikkei 300 | 221.57 | 220.98 | 218.35 | 257.43 18/2 | 192.30 9/10 | | |
| | Topix | 1107.85 | 1105.39 | 1093.52 | 1300.30 18/2 | 988.11 15/10 | | |
| | 2nd Section | 1109.31 | 1102.14 | 1092.57 | 1401.27 13/2 | 1039.84 13/10 | | |
| *Flat despite Moody's downgrading of Japan's credit rating. Volume eased to 385m shares and rises narrowly beat falls.* | | | | | | | | |
| Jordan | Amman SE | (x) | (x) | (x) | 184.52 17/8 | 160.51 18/11 | na | na |
| *Market at lowest level since June last year, dragged down by worries about domestic economic weakness.* | | | | | | | | |
| Malaysia | KLSE Comp. | 464.12 | 462.02 | 465.08 | 745.39 27/2 | 262.70 1/9 | 3.25 | 12.80 |
| *Mixed as optimistic view with US excluded. Late support for Tenaga and Maybank helped index record a gain.* | | | | | | | | |
| Mexico | IPC | 3950.81 | 3971.50 | 4007.62 | 5284.00 3/1 | 2895.18 10/9 | 1.81 | 12.50 |
| *Prospect of stormy budget debate in congress clouded optimism over outlook for US interest rate cut.* | | | | | | | | |
| Morocco | CASA | 819.89 | 833.74 | 821.30 | 983.96 1/8 | 665.57 21/1 | na | na |
| Netherlands | CBS TRRetGen | 1209.3 | 1209.7 | 1185.3 | 1489.80 20/7 | 974.80 8/10 | 2.30 | 20.20 |
| | CBS All Shr | 678.0 | 678.0 | 669.2 | 845.00 27/7 | 548.30 8/10 | | |
| *KLM higher after Dutch government decided to open up Schipol airport to more flights each year.* | | | | | | | | |
| New Zealand | Cap. 40 | 1087.50 | 1098.76 | 1094.91 | 1360.02 28/3 | 1009.24 2/10 | 4.60 | 19.00 |
| *Edged lower ahead of FOMC meeting in US and today's Monetary Policy Statement from the Reserve Bank of New Zealand.* | | | | | | | | |
| Nigeria | SE All-Share | 5960.76 | 5936.65 | 5907.45 | 6894.87 11/2 | 2226.40 12/1 | na | na |
| *Demand for banking shares set tone for day in broad market.* | | | | | | | | |
| Norway | Oslo SE Ind | 1380.82 | 1634.82 | 1630.45 | 2370.98 4/5 | 1308.38 8/10 | 2.27 | 12.40 |
| *Mark of prices and lower crown coupled with higher short-term money market rates to deter investors.* | | | | | | | | |
| Pakistan | KSE-100 | 878.29 | 943.89 | 841.61 | 1746.31 3/1 | 765.23 14/7 | na | na |
| *Jumped amid hopes that tussle between government and IPPs over tariffs might shortly be resolved.* | | | | | | | | |
| Peru | Lima Gen | 1485.28 | 1376.06 | 1338.82 | 1869.91 4/5 | 1159.59 21/9 | na | na |
| Philippines | Manila Comp | 1779.23 | 1746.89 | 1711.98 | 2311.42 25/3 | 1082.19 11/9 | 1.52 | 12.90 |
| *Pushed forward with pace as investors anticipated an imminent US interest rate cut. Manila Electric jumped 6.4 per cent.* | | | | | | | | |
| Poland | Wig | 13098.0 | 13175.2 | 12488.8 | 18592.70 11/3 | 10473.70 9/10 | 2.13 | 8.60 |
| *Most shares rose but profit-taking in more heavyweights pulled market indices lower.* | | | | | | | | |
| Portugal | BVL 30 | 4744.38 | 4777.76 | 4659.94 | 6178.60 22/4 | 3308.80 2/10 | 2.05 | 26.80 |
| | PSI 20 | 10830.19 | 10921.06 | 10574.68 | 14282.80 22/4 | 8194.81 2/10 | | |
| *Shares lost ground overall but telecom stocks and Sonae Investimentos bucked the trend.* | | | | | | | | |
| Russia | RTS | 60.02 | 59.55 | 59.32 | 411.81 5/1 | 38.83 5/10 | na | na |
| *Shares firmed by close although many investors remained on sidelines, awaiting word on economic plans.* | | | | | | | | |
| Singapore | SES All-S'pore | 346.53 | 350.14 | 342.25 | 487.88 19/3 | 253.20 4/9 | 2.40 | 18.50 |
| | Straits Times | 1235.76 | 1241.74 | 1206.91 | 1689.75 19/3 | 805.04 4/9 | | |
| *Narrowly lower ahead of US decision on interest rates. Falls outpaced rises as volume narrowed to 281m shares.* | | | | | | | | |
| Slovakia | Sax | 87.25 | 85.23 | 85.68 | 169.48 5/1 | 85.74 4/11 | na | na |
| *Only 46 shares changed hands in dull trade on main listed floor.* | | | | | | | | |
| South Africa | JSE All Share | 5735.7 | 5753.5 | 5730.7 | 8569.30 20/4 | 4884.49 11/9 | | |
| | JSE Gold | 1015.1 | 1010.1 | 1043.2 | 1318.60 8/10 | 672.59 18/3 | | |
| | JSE Indl. | 6588.6 | 6601.7 | 6541.0 | 9842.70 20/4 | 6346.60 11/9 | 4.46 | 9.30 |
| *Market closed a shade off lows after uninspiring session.* | | | | | | | | |
| South Korea | KoreaCmpEx | 424.43 | [illegible] | 404.20 | 574.35 2/3 | 280.00 16/6 | 1.10 | 21.20 |
| *Lifted by strong net foreign buying, but well off Monday high with sentiment hurt by Japan's credit rating downgrade.* | | | | | | | | |
| Spain | Madrid SE | 794.29 | 798.73 | 783.03 | 947.88 17/7 | 642.39 8/10 | 1.99 | 22.50 |
| *Market weak as most investors waited on sidelines.* | | | | | | | | |
| Sri Lanka | CSE All Share | 535.26 | 528.86 | 517.89 | 788.70 4/5 | 461.69 3/9 | na | na |
| *Driven forward by increased demand from locals and foreign investors. John Keells Holdings jumped 8.1 per cent.* | | | | | | | | |
| Sweden | AffarsvardsGen | 3120.1 | 3121.8 | 3074.4 | 3855.90 20/7 | 2411.76 8/10 | 2.35 | 18.50 |
| *Telecoms major Ericsson bucked weak trend as investors switched from Nokia.* | | | | | | | | |
| Switzerland | SMI Index | 6780.0 | 6774.6 | 6703.9 | 8412.00 21/7 | 5029.50 8/10 | 1.37 | 21.40 |
| | SPI General | 4271.80 | 4257.28 | 4233.91 | 5237.38 20/7 | 3311.36 8/10 | na | na |
| *Market little changed in quiet trade, enlivened only by special situations.* | | | | | | | | |
| Taiwan | WeightedPr** | 7131.90 | 7003.87 | 6829.62 | 9277.09 2/3 | 6251.36 3/9 | 1.55 | 19.80 |
| *Gained for third day on heavier volumes despite news of fresh stock payment details. Electronics jumped 4.1 per cent.* | | | | | | | | |
| Thailand | Bangkok SET | 344.08 | 345.19 | 333.59 | 558.82 3/2 | 207.31 4/9 | 2.75 | 62.50 |
| *Eased in thin turnover ahead of FOMC meeting. Banks and financials weakened, but properties lifted 3.2 per cent.* | | | | | | | | |
| Turkey | IMKB Nat 100 | 2221.70 | 2308.16 | 2118.41 | 4590.88 16/7 | 1682.85 8/10 | 4.57 | 10.10 |
| *Shares fell sharply in correction after Monday's 8.1 per cent surge.* | | | | | | | | |
| Venezuela | IBC | 3889.97 | 3814.29 | 3814.20 | 7908.82 23/3 | 3094.76 10/9 | na | na |
| Zimbabwe | ZSE Industrial | 5985.34 | 6006.87 | 5981.26 | 8065.71 31/3 | 6441.85 1/9 | na | na |
| WORLD | FT/S&P World | (x) | 286.91 | 281.22 | 308.82 17/7 | 242.36 8/10 | na | na |
| | MS Capital Intl | 1084.7* | 1089.0 | 1050.8 | 1143.80 20/7 | 888.50 12/1 | na | na |
| CROSS-BORDER | DJ Stoxx 50 | 3028.94 | 3034.80 | 2975.51 | 3676.82 20/7 | 2433.87 8/10 | | |
| | DJ Euro Stx 50 | [illegible] | 3000.57 | 2924.97 | 3658.48 17/7 | 2418.23 8/10 | | |
| | FTSE E300 | 1089.09 | 1093.18 | 1077.89 | 1327.59 20/7 | 883.55 5/10 | | |
| | FTSE E100 | 2519.39 | 2522.89 | 2495.78 | 3088.91 20/7 | [illegible] 8/10 | na | na |
| | HSBC Drgn | (x) | 215.95 | 209.57 | 273.81 28/3 | 161.71 5/10 | na | na |
| | MS Emrgs Emrg | (x) | 113.43 | 110.81 | 180.89 23/4 | 98.84 11/9 | na | na |

** On Nov 14: Taiwan Weighted Price (x) ; Korea Comp Ex 414.22. Mexico. ♦ Toronto. (x) Closed. (s) Suspended. † ISEQ-style after-hours index: Nov 17: 4718.34 -67.42. ‡ Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation. Yields and P/E ratios are based on Datastream Total Market Indices. Unavailable.

## THE NASDAQ-AMEX MARKET GROUP

*4 pm close November 17*

| Stock | Div. | P/E | Vol 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## AMEX

*4 pm close November 17*

| Stock | Div. | P/E | Vol 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## EASDAQ

The EASDAQ All Share Index (EASI) for 17th November: 736.03 down 2.12%. Day's high: 745.94 Day's low: 732.38

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international operations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members

| Company | Mid price | Change on day | Volume | High | Low |
|---|---|---|---|---|---|
| 4Front Technologies | USD8.25 | +0.125 | 500 | 11.5 | 5.25 |
| ActivCard | USD2.45 | -0.14 | 19000 | 6.375 | 2.25 |
| Algol | ITL23300 | -200 | 60000 | 44250 | 13250 |
| Artwork Systems | USD17.25 | -0.125 | 2882 | 21.125 | 5.875 |
| Autonomy Corp | USD3.625 | -0.3125 | 353000 | 4.1875 | 2.5625 |
| Chemunex | FRF6.3 | -0.3 | 29450 | 22.5 | 6.3 |
| City Bird Holding | USD7.5 | | 0 | 10.3125 | 6.1875 |
| Debonair Holdings | GBP2.1 | +0.01 | 13850 | 7.1 | 0.6 |
| EDAP TMS | USD2.4375 | -0.25 | 0 | 9.125 | 1.5 |
| EPIQ | DEM5.5 | +0.125 | 2450 | 10.375 | 4.75 |
| ESAT Telecom | USD34 | +1.1875 | 2810 | 43.75 | 13.5 |
| Esprit Prod. Int. | FRF68.65 | -0.35 | 500 | 121.25 | 89.3 |
| Esprit Telecom | USD21.25 | +0.125 | 2439 | 46.625 | 4.875 |
| Exbl International | ATS299 | -6 | 480 | 690 | 267 |
| F.L.V. Fund | USD14.75 | +0.125 | 4444 | 22.25 | 11.875 |
| Global Graphics | FRF223.9 | -0.5 | 3510 | 238.5 | 173 |
| Global TeleSystems | USD43 | -0.125 | 475 | 62.375 | 21.25 |
| Grainger Telecom | USD11.125 | +0.125 | 8900 | 27.25 | 10.25 |
| Gruppo Formula | ITL25050 | -1200 | 30070 | 65500 | 14250 |

| Company | Mid price | Change on day | Volume | High | Low |
|---|---|---|---|---|---|
| ICOS Vision Syst | USD15.125 | +0.125 | 160 | 20.875 | 11.625 |
| Innogenetics | USD39.25 | -3.25 | 182102 | 74 | 9.875 |
| Integr. Surg. Syst. | DEM5.2 | | 5000 | 12.2 | 4.5 |
| Lernout & Hauspie | USD39.125 | -0.75 | 60070 | 65.25 | 13.125 |
| Mallesma | USD12.25 | | 8652 | 20.0625 | 7.375 |
| Mercer Int'l | USD7.125 | -0.125 | 0 | 12.875 | 5.75 |
| NTL | USD47.5 | -2.5 | 0 | 63.75 | 20.5 |
| Option Int'l | USD42.875 | -0.375 | 7488 | 67.63 | 10.88 |
| Orthovita, Inc. | USD7.5 | | 10100 | 11.625 | 7.25 |
| Panis Racing Syst. | ATS435 | +305 | 2299 | 5150 | 2865 |
| Pharming | NLG20.25 | -0.25 | 3318 | 33.5 | 15.75 |
| Pp Tech | USD2.12 | -0.31 | 72665 | 7.625 | 2.125 |
| Royal Olympic | USD4.375 | -0.25 | 600 | 18.5 | 2.875 |
| S&T Syst. Integral | ATS1275 | +62 | 457 | 4155 | 1233 |
| Schiefler-Bleckmann | ATS815 | -10 | 0 | 1785 | 750 |
| TelDaFax | DEM59 | -0.75 | 340 | 88.25 | 54.75 |
| Topcall Int'l | ATS3310 | -68 | 8019 | 9938 | 622 |
| Turbodyne Technol. | USD5.23 | +0.05 | 15400 | 16.83 | 2.1 |

Prices for 17/11/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: http://www.easdaq.be. EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel: 44-171 / 489 8500). Annual/interim reports can be obtained for companies with a ♣ symbol in this issue. Annual Reports Club telephone +44 181 770 0770. For further details please see Share Price pages.

# STOCK MARKETS

## Global bourses on hold for rate-cut news

**WORLD OVERVIEW**

World equity markets spent a rather nervous day waiting for the decision of the US Federal Reserve on interest rates, which came only after European and Asian markets had closed, *writes Philip Coggan.*

After Monday's rally, investors began to be concerned that unchanged rates would disappoint the markets and that a quarter-point cut was already priced in. In the event, the Fed cut the Fed funds and discount rates by 25 basis points and Wall Street immediately jumped into positive territory after being down 70.

In Europe, the main interest lay in further evidence of corporate restructuring following last week's deal between Ciba Specialty Chemicals and Clariant. Alusuisse, the Swiss industrial group, confirmed a report that it was in talks with Viag, the German conglomerate, while Finnish machinery companies Valmet and Rauma agreed to merge.

The recovery of stock markets since early October has appeared to clear the way for a string of deals that would have been impossible in the fraught conditions of August and September.

In a virtuous circle, the stream of deals is bolstering prices by causing speculation in some stocks and making investors reluctant to be out of the market.

Yesterday's merger news certainly softened the blow of some rather gloomy results. The Franco-British engineering group Alstom warned of a slowdown in orders and of profits at the lower end of analysts' forecasts. As expected, UBS, the Swiss bank, reported a sharp drop in nine-month profits. Hoechst, another of this week's merger stories, said its third-quarter pre-tax profits fell 77 per cent.

European bourses suffered only modest losses with just Frankfurt and Copenhagen of the leading markets dropping more than 1 per cent.

Earlier in Asia, the downgrade by Moody's of the Japanese government's credit rating failed to put much of a dent in the performance of the Tokyo market. The rest of the region's bourses were mixed.

The Organisation for Economic Co-operation and Development published its latest forecasts for Asian economies, which showed that it expects only Indonesia (-3 per cent) and Malaysia (-0.5 per cent) to suffer declines in output next year.

And the OECD is looking for a decent recovery in 2000, with most countries in the region forecast to grow by 3-5 per cent.

But the same report said that world growth would be just 2 per cent this year and next, and warned of recession if central banks did not cut interest rates.

## Dow recovers ground after Fed decision

**AMERICAS**

US stocks recovered on hearing the Federal Reserve's decision to cut two key interest rates after moving lower earlier. Retail and high-tech shares had been especially weak as investors awaited the Fed announcement, *writes John Labate in New York.*

The Dow Jones Industrial Average was up 20.85 to 9,032.10 shortly after the announcement of 25 basis point cuts to both the Fed funds and discount rates. The broader Standard & Poor's 500 index was up 5.54 to 1,141.40.

Earlier, trading volumes had been light and the tone strongly negative, with declining stocks outnumbering advancing ones by two to one. As stocks fell back US Treasuries were slightly higher, with the benchmark long bond up 1/32 to 99 11/32, yielding 5.271 per cent.

The recent lack of momentum had reflected uncertainties surrounding any cut.

The Nasdaq composite, weighted in high-tech shares, had earlier fallen 9.65 to 1,852.03. The sharpest losses had been among small-company shares, which sent the Russell 2000 index down 4.43 or 1.13 per cent to 385.99.

Hewlett-Packard, a Dow share, fell $5 11/16 or 9 per cent to $60 1/16 after the company guided analysts to trim their outlooks for earnings and revenues for 1999.

Shares of DaimlerChrysler shares were up $1 1/16 to $83 1/16 on the newly merged company's debut on the New York Stock Exchange.

Retailers were lower at the start of the quarterly earnings season for many key companies. Dayton Hudson fell $2 1/4 or 5 per cent to $43 1/4 after the company's third-quarter report. J.C. Penney fell $2 1/16 to $49 1/16 after releasing results.

Eastern Environmental was hit by sharp selling after it said the US Justice Department had filed suit to block its planned merger with Waste Management on anti-trust grounds. The announcement sent Eastern down $4 1/2 or more than 17 per cent to $23 1/4, while Waste Management was down $3/16 to $46 3/16.

In the high-tech sector shares of Amazon.com rallied $12 1/4 or 9.6 per cent to $138 3/4 after the company launched sales of videos on its website. EarthWeb was down $8 or more than 12 per cent to $54 1/4 and theglobe.com was off more than 14 per cent or $6 1/2 to $41 11/16.

TORONTO lost ground as heavily weighted gold and financials dragged the market lower, and the 300 Composite fell 49.05 or 0.8 per cent to 6,308.20.

Financials were down 0.8 per cent. Canadian Imperial Bank of Commerce fell 50 cents to C$30.75, and Bank of Nova Scotia 50 cents to C$31.10.

Gold and precious minerals fell 0.3 per cent, with Barrick Gold down 15 cents to C$31.95. Oil and gas stocks lost ground after rallying last week on rising tensions between Iraq and the US.

SAO PAULO firmed ahead of the US decision on interest rates, with the Bovespa index up 141 or 1.8 per cent to 8,145.

Telebrás preferred was up R$2.20 or 2.2 per cent to R$103.90. Petrobrás gained R$5 or 2.7 per cent to R$189, and Eletrobrás rose R$1.80 or 6.4 per cent to R$29.90.

BUENOS AIRES was dragged down by market heavyweight YPF, and the Merval index fell 3.72 or 0.8 per cent to 473.71.

YPF, the oil exploration, production and distribution group, fell 0.50 pesos to 28.10 pesos on profit-taking after rallying last week with international oil stocks.

## Pact proposal weakens Viag

**EUROPE**

Planned mergers and further speculation about co-operation deals provided some excitement in European markets that were otherwise on hold awaiting news of interest rates from the US.

German conglomerate Viag tumbled 6.5 per cent as the market gave a cool response to confirmation that it was in discussions on a co-operation pact with Alusuisse, the Swiss aluminium, packaging and chemicals company.

Analysts noted that the market appeared to have been wrong-footed by the news. Viag shares initially shot up to a seven-week high of DM1,235 before pulling back to close with a loss of DM78 at DM1,117.

Alusuisse, by contrast, finished with a gain of SFr83 or 5.1 per cent at SFr1,718, having peaked at SFr1,751.

Hoechst, Germany's biggest drugmaker, fell DM1.40 to DM76.90 in the wake of worse-than-expected nine-month results and a planned restructuring, which will split the company.

However, the company remained mute on a rumoured link-up with France's Rhône-Poulenc. Shares in the French group lost FFr4.80 to FFr260.

In Finland, paper machine maker Valmet and engineering group Rauma surged after the companies announced a merger that will effectively create a one-stop shop for the forestry industry. Valmet put on FM7.30 or 13.8 per cent to FM60.80, while Rauma rose FM11.80 or 19.7 per cent to FM65.30.

FRANKFURT was lower, with the Xetra Dax dropping 67.42 or 1.4 per cent to 4,718.34.

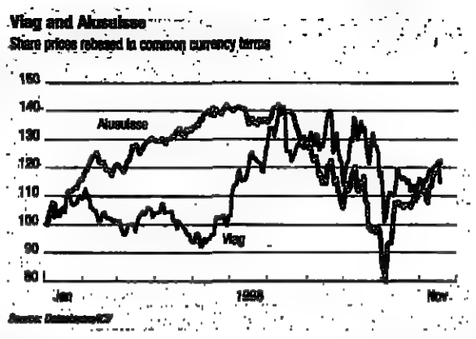
RWE, the utility, took a lead from Viag with a fall of DM3.70 to DM84.50.

Chemicals groups were mostly weaker with BASF down DM1.64 to DM63.55. Henkel bounced DM2.80 to DM128.90, regaining ground after last week's tumble.

DaimlerChrysler eased DM1.60 to DM139.30 on the first day of official trade in the post-merger company's shares.

Lufthansa, up 2 per cent ahead of its nine-month results, closed 65 pfg easier at DM34.85 after the company gave a cautious forecast for earnings growth for 1999.

**The FTSE Eurotop 300 index fell 4.12 or 0.38 per cent to 1,069.08. See Euro Prices page.**




PARIS was weak at the end of a subdued session and the CAC-40 index stood 20.28 lower at 3,601.57.

Engineering group Alstom dropped FFr9.50 or 6.3 per cent to FFr141.50 after the company forecast 1998-99 profits at the lower end of expectations and warned of a slowdown in orders.

Among financials, Axa put on FFr25 to FFr657 following a press report that the company was considering a bid for British insurer Guardian Royal Exchange. Both companies declined to comment.

Faurecia, the car parts subsidiary of Peugeot, was suspended limit down for much of the session and closed FFr205 or 18.7 per cent lower at FFr694 after its second profits warning this year. Peugeot fell FFr20 to FFr659.

Oil stocks were weak as energy prices continued to fall. Elf Aquitaine lost FFr16 to FFr679 while Total held its loss to FFr2 at FFr675 after the group announced nine-month sales figures in line with expectations.

ZURICH was little changed by the close of a session enlivened only by special situations. The SMI index was up 14.4 at 6,788.0, off a high of 6,836.9.

Roche was under pressure after the company said it had run into problems with another of its drugs. The European Union suspended marketing of its new anti-Parkinson's disease drug Tasmar amid concerns about possible side effects. Roche's certificates finished SFr90 lower at SFr15,860.

UBS overcame early weakness that greeted its interim figures to close SFr1.50 higher at SFr385. The bank reported a 32 per cent drop in 1998 nine-month net income and said the decline reflected the adverse impact of various exceptional items in the third quarter.

In the transport sector, Kuehne und Nagel and Danzas posted gains on speculation that the two could merge. Kuehne gained SFr49 to SFr1,049 and Danzas SFr30 to SFr450.

AMSTERDAM edged lower in quiet trading, with the AEX index down 3.51 to 1,055.33.

Many of the leading financials were lower, with ABN Amro down Fl 0.50 or 1.3 per cent to Fl 37.90 on its acquisition of Brazil's Banco do Estado de Pernambuco SA-Bandepe for about Fl 290m. Aegon lost Fl 2.40 or 1.3 per cent to Fl 186 after a downgrade from Salomon Smith Barney.

Fortis Amev declined Fl 0.80 or 0.6 per cent to Fl 128.20, but ING managed to rise Fl 1.50 to Fl 103.40 after the EU cleared its acquisition of a controlling stake in Germany's BHF.

KLM was the day's winner, rising Fl 2.10 or 4 per cent to Fl 53.80. Investors were encouraged by the government plans to allow Amsterdam airport to increase flights from 360,000 to 600,000.

Royal Dutch/Shell lost Fl 1.20 or 1.3 per cent to Fl 90.80 as oil prices faltered. The shares rallied last week on rising tensions between the UN and Iraq.

MILAN retreated with the Mibtel falling 85 to 20,919.

Banks were actively traded, with Banca Intesa up L146 to L8,971 and Banca di Roma down L96 to L2,837.

Telecom Italia fell L48 to L12,757 but found support on heightening expectation that ENI's chief executive would be named as Telecom's chief executive.

MADRID closed marginally lower as investors remained sidelined, and the general index fell 5.44 or 0.7 per cent to 794.29.

Weakness in banks and Telefónica dragged the index lower. Banco Bilbao Vizcaya fell Pta30 or 1.5 per cent to Pta2,015 while Banco Santander fell Pta25 or 1 per cent to Pta2,560.

Telefónica was down Pta70 or 1.1 per cent to Pta6,280 after announcing forecasts in line with market expectations.

Acerinox was the top gainer, adding Pta130 or 4.2 per cent to Pta3,250.

**Written and edited by Michael Morgan, Emiko Terazono, Paul Gregan and Peter Hall**

## Cautious Jo'burg edges off

**SOUTH AFRICA**

Johannesburg edged lower due to caution ahead of the US decision on interest rates. The all share index fell 17.9 or 0.3 per cent to 5,735.7.

The industrial index fell 0.5 per cent while golds added 0.5 per cent thanks to bullion's moderate rise.

Among gold shares, Western Areas rose 50 cents or 2.8 per cent to R18.30 and Anglo-Gold added 100 cents to R275.

Maxtec, the new high-tech company, closed up 80 cents from its R1 offer price.

## Tokyo falls on credit re-rating

**ASIA PACIFIC**

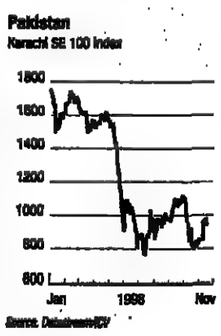
Shares in TOKYO gave a muted response to the downgrading of Japan's credit rating by Moody's, the US ratings agency.

The announcement came after the Japanese government had unveiled its largest ever economic stimulus package on Monday, *writes Naoko Nakamae.*

The Nikkei 225 Average edged 15.27 lower to 14,413.0 after trading between 14,276.81 and 14,480.5. Other indices showed marginal gains, with the weighted Nikkei 300 index rising 0.61 to 221.57, while the broader Topix index of first-sector stocks climbed 2.15 to 1,107.65. Volume was light at 385m shares, with 559 issues rising and 541 falling.

Good news from Wall Street and a weakening yen boosted export-oriented shares. Toshiba, the day's most heavily traded stock, rose Y10 to a 1998 high of Y635. Sony gained Y200 to Y8,280, and Hitachi climbed Y13 to Y693.

Other exporters saw their shares decline amid concerns about overseas earnings. Canon fell Y35 to Y2,600, while Fujitsu lost Y17 to Y1,360.




Kyocera, which on Monday announced a 33 per cent drop in group net profits, saw its shares fall 3.5 per cent to Y3,750.

In Osaka, the OSE index was up, rising 12.05 points to 14,786.51.

KARACHI jumped 3.7 per cent on hopes that the government's long-running row with independent power producers would soon be resolved. The KSE-100 index rose 34.90 to 975.29.

Officials assured a visiting team from the International Monetary Fund on Monday that the government was serious about finding a resolution to the dispute, which has delayed talks on a crucial IMF lending programme.

HONG KONG ran into profit-taking after Monday's sharp gains, and the Hang Seng index lost 149.40 or 1.5 per cent to 10,148.69 during an increasingly cautious session ahead of news on US interest rates.

Analysts noted hopes were also building for a cut in local rates once the Hong Kong Association of Banks holds its regular weekly meeting on Friday, irrespective of US developments.

MANILA was higher as a stronger peso encouraged cautious investors to return to the market. The composite index rose 33.63 or 1.9 per cent to close at 1,779.23.

Manila Electric closed 7 pesos or 6.4 per cent higher at 117 pesos as investors shifted funds gained from investments in other blue chips.

Philippine Long Distance Telephone extended its recent run, gaining 10 pesos to 1,095 pesos.

Second-line issues, particularly property stocks that would benefit from lower interest rates, also attracted speculative demand.

Housing developer C&P Homes swung up 8 per cent to close at 1.08 pesos, Filinvest Land jumped 8.3 per cent to 2.36 pesos, and Ayala Land gained 4.9 per cent to 10.75 pesos.

TAIPEI was sharply higher for a third straight session as the new state-sponsored stock stabilisation fund took effect, in spite of a report of T$287m in fresh stock payment defaults.

The weighted index closed 128.03 or 1.8 per cent better at 7,131.90 in brisk turnover of T$127.6bn.

Analysts said buying was bolstered by Taiwan's finance ministry saying that an emergency fund established late last week would invest up to T$283bn in stocks, aiming to return share prices to "normal" levels.

Confidence had remained strong in spite of a stock exchange report that two listed companies, Taichung Machinery Works and Kuoyang Construction, had reported payment defaults totalling T$287m. Taichung fell the daily 7 per cent limit to T$57.5 and Kuoyang was also limit down to T$24.5.

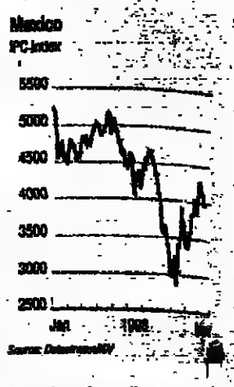
The electronics sector led the gains, surging 4.2 per cent. Microchip giant Taiwan Semiconductor was limit up to T$73 while microchip testing giant ASE was limit up to T$60.

**EMERGING MARKET FOCUS**

## Mexico budget wins few friends

From petrol pump attendants to captains of industry, Mexicans are grumbling about the government's austere 1999 budget package sent to congress last week, and investors have channelled their disapproval through the stock market.

"I didn't like a lot of what I saw," says Jorge Mariscal, chief Latin American strategist at Goldman Sachs in New York. "It's good to have fiscal prudence, but the quality of the programme leaves much to be desired."




The IPC index was down 0.36 per cent to 3,957.28 at midday yesterday, the seventh straight day of decline. On Monday, the first full day of trading after the budget was sent to congress, the stock market ignored a rally in other Latin American stocks and traders blamed the poor performance on budgetary concerns.

The government's proposals, which include cuts in discretionary spending and a gamut of tax increases, are aimed at achieving a fiscal deficit of 1.25 per cent of gross domestic product in 1999, tighter than this year's expected 1.42 per cent. GDP growth is also seen sliding to 3 per cent from 4.6 per cent.

The finance ministry says the tight fiscal stance is aimed at curbing inflation and putting the economy on a sound footing in President Ernesto Zedillo's penultimate year in office.

But to win approval in congress, where Mr Zedillo's Institutional Revolutionary party last year lost its majority, the proposals contain elements that industry executives say weigh heaviest against companies listed on the stock market.

Those include an end to immediate tax deductions on corporate capital expenditures, which the finance ministry said was used mostly to the advantage of Mexico's 100 largest companies. To reap higher tax revenues, it also proposed changing the rules by which conglomerates deduct losses of their subsidiaries.

The government has sought to partially offset the tougher measures by lowering taxes to companies that reinvest their profits.

Controversially, however, last weekend it drove up petrol and diesel prices by 15 per cent and announced a further 13 per cent increase next year. It has also proposed a 15 per cent surcharge on telephone usage next year.

The telephone tax, if approved, would probably hurt Telefonos de Mexico, the heaviest-weighted stock in the IPC index, according to Lars Schonander of Santander Investment. "The revenue-raising measures seem surprisingly tough given the circumstances."

This week, opposition parties were formulating their responses to the government's proposals. The deadline for approving the budget bill is December 15.

Of more immediate concern was the lack of agreement in the lower house over the package of reforms aimed at shoring up the financial system. Analysts had expected a solution by the end of last week but the lingering stalemate has weakened bank stocks and cast a pall over the market.

**Henry Tricks**

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FINANCIAL TIMES SURVEY

# FT TELECOMS

WEDNESDAY NOVEMBER 18 1998

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User issues: Innovation A bewildering choice for business users
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Global mobile and satellites Cellular or satellite? some difficult choices
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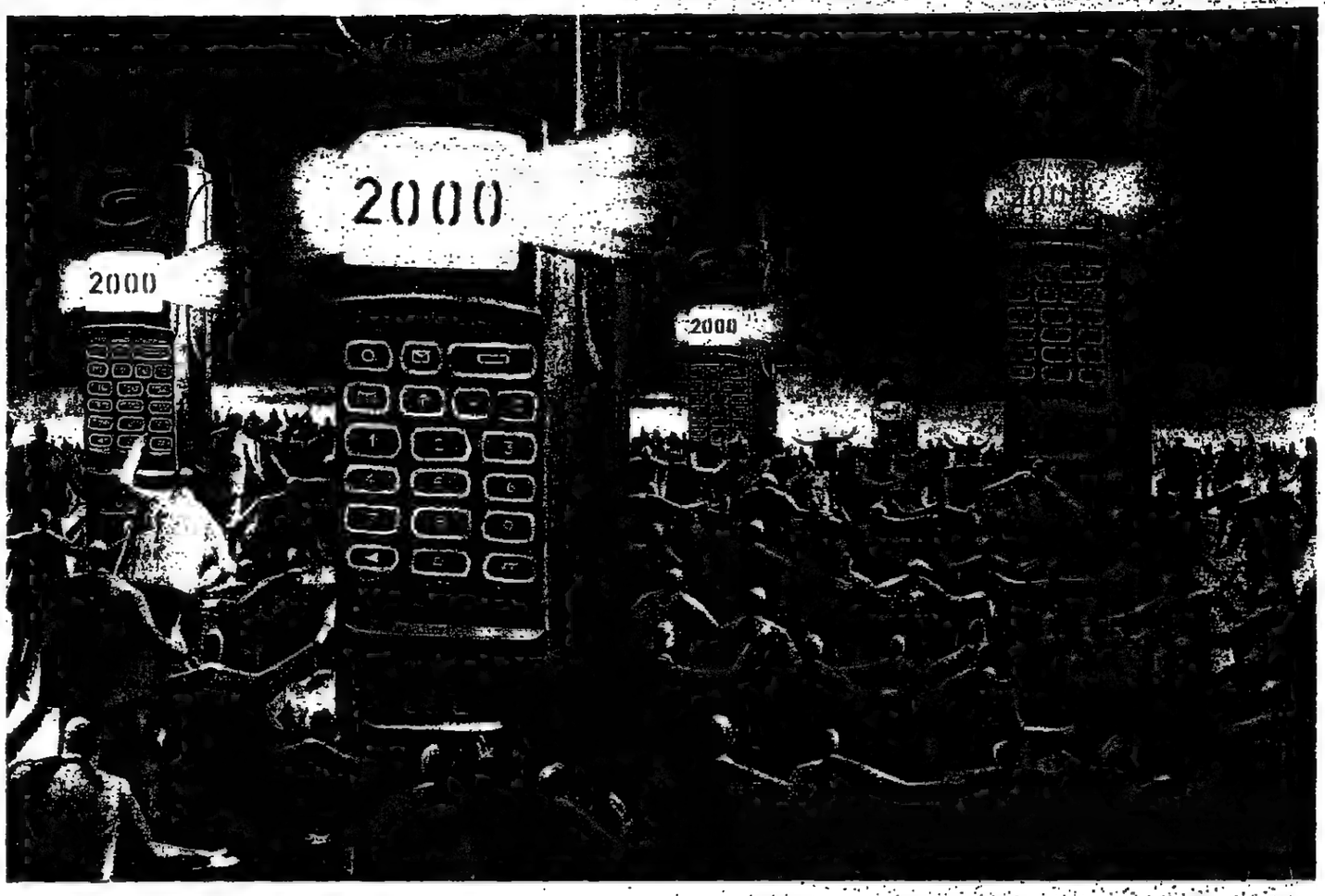
# Millennium forecast is for 1bn cellular users

The mobile telecoms business is doing exponentially well, with exponential growth in Europe and a forecast of 56 per cent penetration by the end of 2000. **Alan Cane** reports




The global mobile phone business rang up some very big numbers this year as the communications revolution continued to gather pace.

Even in the troubled Asia Pacific region, the performance of the industry showed impressive resilience. NTT DoCoMo, cellular subsidiary of the world's biggest telecommunications group and itself the world's largest mobile operator, broke records with its initial public offering, raising Y2,130bn for its parent.

Subscribers to the Japanese operator, a mere 1.3m of them in 1994, exceeded 20m earlier this year and are expected to top 50m by the end of 2000.

MobileOne, a Singapore-based cellular operator in which Cable and Wireless of the UK has a significant stake, has grown so fast that it is breaking even on a monthly basis only 18 months after launch and expects to pay back its investors two years ahead of schedule.

And in Korea, where the issue of five mobile licences has led to what Dr Jung Uck Seo, president of the Korean operator SK Telecom describes as "reckless competition for survival", the market continues, against all expectations, to grow explosively.

Dr Jung told a London audience last month: "Such factors as peer pressure and inordinately generous subsidies for handsets must have played their part, but the real driving force is widely acknowledged to be people's need for the security that comes with being connected – especially in times of uncertainty – with family members and friends."

In Europe, there has been particularly rapid growth in Portugal – where subscriber numbers more than doubled between October 1997 and October 1998 – France, the Netherlands and Germany.

John Jensen, telecoms analyst with the investment bank Salomon Smith Barney, says that the penetration of mobile phone services in Europe is displaying exponential growth.

His mathematical model predicts that penetration (the number of mobile phones per 100 citizens) will be 56 per cent by the end of 2000.

At present, according to the FT's Mobile Communications newsletter, there are 78m subscribers in western Europe, representing just over 20 per cent penetration.

The US, where mobile services were pioneered well over a decade ago, remains distinctly different from the rest of the world, notably in its continued adherence to the older and less efficient analogue technologies.

According to brokers Morgan Stanley Dean Witter (MSDW): "The US, in contrast to Europe, has been very slow to transfer analogue subscribers to digital. We estimate that roughly 95 per cent or higher of cellular subscribers in the US are still analogue users."

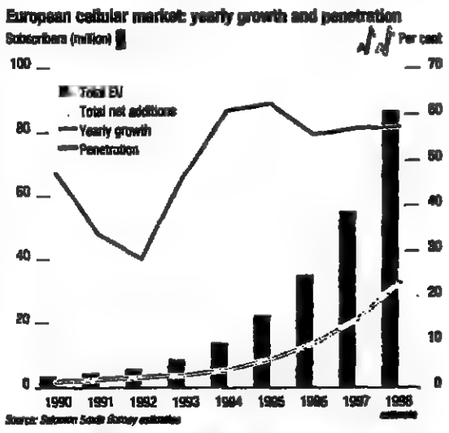
MSDW goes on to suggest that competition between different technical standards has slowed progress in the US.

In Europe, on the other hand, a far-sighted European Commission decision to insist on GSM as the digital standard continent-wide has brought significant advantages for subscribers and manufacturers.

As things stand, a variety of standards – analogue AMPS, digital AMPS, GSM and CDMA – seems certain to co-exist in the US until superseded by the arrival of the next generation of systems based on the most advanced digital technology.

All of this would suggest that mobile telecoms is in a healthy state and that predictions of a billion cellular users or more by the early years of the new millennium are not far fetched.

**European cellular market: yearly growth and penetration**




Source: Salomon Smith Barney estimates

The paradox is that while operators and service providers talk hopefully of mobile replacing fixed wire before too long as the telephone service of choice, they seem to be searching continually for ways of persuading potential customers to sign up for service.

The methods include special pricing packages – in the UK, One-2-One is offering free calls at lunchtime to new customers – affinity deals where mobile service is linked to other kinds of services such as banking or sport, or prepaid packages which do away with the psychologically discouraging business of credit checks and registration.

The conclusion must be that even if mobile tariffs are comparable with or lower than fixed-wire charges, mobile cannot substitute for fixed wire until similar quality of service is offered.

In addition, of course, there are subjective issues such as the fact that many individuals prefer to use a fixed phone and that no solution has been found to the problem of ambient noise out of doors which makes conversation difficult.

Tom Butler of Metapath Software International, a company used by many of the world's mobile operators to select the optimum sites for their base stations, says that the most attractive ideas for new mobile products and services are vulnerable to service quality.

"Everybody bemoans the quality of the voice capability that they get out of this wireless industry. It's an immature industry. The first priority was coverage. Now the emphasis must shift to service. The big corporate customers who represent lucrative opportunities for operators are not getting quality service. Wireless services, in consequence, are regarded as a secondary adjunct to fixed-line services."

Hans Snook, chief executive of Orange, a UK-based mobile operator which is attempting to brand its service worldwide, points out: "Call quality and network performance is the most significant factor. This means getting calls through first time without cut-off. The line must be perfectly clear with no interference or voice distortion and no crossed lines.

"Coverage, in buildings, on the move, or wherever, must be perfect."

The problem, according to Malcolm Ross, head of telecoms at the consultancy Arthur D Little, is that mobile operators are spending too little on their network infrastructure compared with their fixed-wire competitors.

British Telecommunications, for example, invests about £1bn every year improving and modernising the physical infrastructure of its network.

Despite the large sums that mobile operators are spending on their networks – Orange, for example, is investing £800m to ensure 6,000 base stations across the UK by 1999 – their capital expenditure is not on the same scale as fixed-wire operators.

Technological short cuts which could come to their aid are in the pipeline. For example, Nokia, the Finnish manufacturer, has developed a cheap and effective base station small enough to be sited on a billboard, hoarding or lamp-post, opening the possibility of saturation coverage of inner city areas at reasonable cost. The Nokia system uses a little-used wavelength to transmit information from base station to base station.

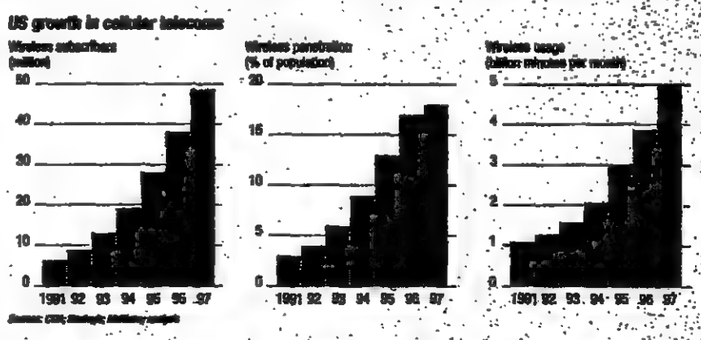
There are questions, however, over the amounts that operators will be able to pump into their networks and still hope for a reasonable return on their capital. DoCoMo of Japan, for example, plans to spend more than Y2,000bn over a five-year period in developing the infrastructure for a new generation of mobile phones. These will be based on the so-called "third generation" technology, W-CDMA. But DoCoMo's strategists are concerned that the return from third-generation services will not justify this level of expenditure.

Competition and regulation, both of which are expected to drive down mobile call prices over the next few years, will not help to balance the equation.

Lisa Gernon, chief executive of Cable and Wireless' mobile activities is convinced that fixed wire and mobile services will co-exist for the foreseeable future:

"I don't share the view of a totally wireless solution," she says. "There is a lot of investment in fixed networks and their operators will not sit still. There is the sheer cost to be considered. I think a purely wireless solution could work, but it is a completely different economic model."

**US growth in cellular telecoms**

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**VIEWPOINT**

# Prepaid packages have proved a potent catalyst

Prepaid mobile phone packages, where customers buy their handsets at market rather than subsidised prices and pay for their calls in advance, have been a spectacular success in every country where they have been introduced.

The phenomenal growth of the Italian cellular market – it surged 80 per cent in the year ending in October to total 17.5m subscribers – has been largely attributed to prepaid services, although keen call pricing must also have played a part.

There is no question that the prepaid concept has proved a potent catalyst in accelerating the acceptance of mobile telephony in the mass market. Customers welcome the absence of contracts with service providers and are relieved not to have to pay rental charges or unexpectedly large monthly bills.

Operators' overheads are significantly reduced. There are savings on credit checking, on paperwork and on administration. Bad debt is effectively eliminated since customers pay for their calls before they make them and there are no bills to be prepared or queried. There are no handset subsidies to pay. And the number of subscribers leaving the network because of fraud, bad debt or simply disappointment at the cost or quality of the service, is reduced.

Retailers enjoy comfortable margins on prepaid packages: note in the UK the willingness of one supermarket chain to offer a particular package at £69.99 compared to £99.99 in other stores – and the speed with which other retailers matched the offer.

There is a flaw, however, in this seemingly ideal product. Unlike a conventional contract, network operators and service providers do not know the identity of their prepaid subscriber. This has two consequences. First, they lose the opportunity to deepen the relationship with the customer and with it the potential to sell on further services.

Second, and perhaps surprisingly, there is a significant risk of fraud. Simon Collins, technical director of a UK-based anti-fraud specialist, noted recently: "If the network operator or service provider does not know the identity of its subscriber, it leaves itself open to significant levels of fraud which it has no way of adequately controlling or managing."

He points out that because bills do not have to be produced for prepaid customers, there is no documentation which could be used to trace and serve as evidence of fraud.

Mr Collins says that while prepaid might seem to be secure, the whole process is open to ordinary human frailty. The network and the computer systems which control it are open to abuse by programmers. The handset and the "smart" card or SIM which controls customer credit can be compromised. Vouchers used to credit customers' accounts can be interfered with – either by customers or by suppliers of the vouchers. And at the end of the day, payments can be made with stolen or counterfeit credit cards and cheques.

Without records to reconcile airtime used against billed revenue, it is virtually impossible for operators to know when they are being defrauded. Mr Collins believes the level of fraud on prepaid packages is about the same as conventional services – typically between 3 and 5 per cent of telecoms airtime, representing a significant loss of revenues.

Operators are becoming aware of the risk, however, and are experimenting with ways of persuading customers to register with them. European Telecom, for example, a value-added distributor of mobile phones, has introduced an affinity package designed to appeal to football fans.

The package includes a six-month free subscription to the BBC's *Match of the Day* magazine to those who return the subscription form.

**ON THE LINE: Gary Foresee, chief executive of Global One** by Joia Shillingford

# $1m-a-day losses fail to faze him

Foresee is focusing on the strengths of the global telecoms alliance: its stability; its geographic spread spanning 65 countries; and its global systems, processes and contracts

Taking the reins at a company that is losing $1m a day would be a challenge for anyone. But Gary Foresee, chief executive of Global One since February this year, seems unfazed. "I've never really looked at it that way," says Mr Foresee. "That means in the last 15 minutes, we've lost quite a bit."

The company, a joint venture between Deutsche Telekom, France Telecom and US telecoms company Sprint, is investing $400m-$500m in its network this year. Last year, some analysts estimate that its losses were as high as $800m on turnover of $1.1bn.

France Telecom has said that Global One cost it FFr600m ($108.69m) in the first half of last year, while Deutsche Telekom reported a loss of DM250m ($152.40m) in the same period.

Mr Foresee is sanguine. He is promising shareholders that there will be no more unpleasant surprises. "Global One underestimated the complexity and cost of building up its network," he says.

The plan is not to rein back. "We can't cost-cut our way to profitability," says Mr Foresee. "We want to grow the business and we are tackling [excess] network costs. We had some duplicate network costs while we put in new networks. And we are continuing to work with shareholders (Sprint, Deutsche Telekom and France Telecom) to reduce the costs of terminating calls in different countries. "This may mean making additional investments in local networks like our investment in fibre-optic local network operator MetroHoldings. The ability to terminate calls is the key to network profitability."

It is clear that Mr Foresee is willing to consider doing deals with telecoms operators (telcos) outside of the shareholder companies if their rates in a particular country are too expensive.

"At one point," comments Mr Foresee, "some of our competitors had lower termination costs than us. In our home markets (US, Germany, France), we don't have a competitive disadvantage, but in other markets we must ask whether it makes sense to use another network. It's all about unit cost."

Last year, the company was hoping to break even in the year 2000, although few industry watchers believed it would. But Mr Forsee, who is currently acting chief financial officer as well as president and chief executive officer, expects "to show a profit at the operating level in late 2000 or early 2001".

He is also forecasting a slight improvement in operating margins, partly due to the future sell-off of some unprofitable businesses such as a small Australian long-distance operation.

But revenues will fall slightly in 1998 due also to the sell-offs and to financial turmoil in Russia and Asia.

Nevertheless, Russia and Asia are important areas for Global One.

Gary Foresee: promising shareholders that there will be no more unpleasant surprises

In Russia, where the company regularly turns over $100m of business, customers include the Moscow Interbank Currency Exchange (Micex) which has a wide-area network designed with Global One that links the local area networks (Lans) of 140 banks.

In Asia, adding new partners is a "very important strategic issue for us," says Mr Foresee. "Up till now," he adds, "France Telecom, Deutsche Telekom and Sprint haven't wanted to offer up Global One equity. But I wouldn't preclude that if there was a significant advantage – or preclude taking a stake in an Asian telco."

In Europe, the company most often competes with AT&T, Unisource, BT, MCI WorldCom and Equant. It says its particular strengths are the stability of its alliance – it was first announced in June 1995; its geographic spread spanning 65 countries; and its global systems, processes and contracts.

There have been rumours, however, that Sprint might leave the alliance, encouraged by the high price MCI achieved by selling itself to WorldCom. But Mr Foresee says the alliance is solid.

Mr Foresee knows Sprint well. He joined Global One from Sprint where he had worked for eight years following 18 years in the telecoms industry working for AT&T and Southwestern Bell. As head of Sprint's long-distance business from March 1995, Mr Foresee was involved with Global One from the early days.

Based in Brussels, Mr Foresee manages a business owned by companies of three different nationalities. He says: "It is less difficult to manage different cultures if there is support for the project at the top level. Then you don't have to compromise on what you want – you can still demand speed."

He seems to like managing a culturally diverse business and he believes the secret of making it work is to ensure that managers from different cultures spend enough time together to have a common view.

The current ownership structure of Global One is rather complex: Deutsche Telekom and France Telecom each own 10 per cent of Sprint and 50 per cent of Atlas, a joint venture of the two European companies. Atlas holds a two-thirds ownership interest in the Europe operating unit and Sprint has the remaining third. The World operating unit is split 50-50 between Sprint and Atlas.

The concept of global telecoms alliances is unproven and if Global One does not break even by 2001 it is unlikely to survive. But it has a number of factors in its favour.

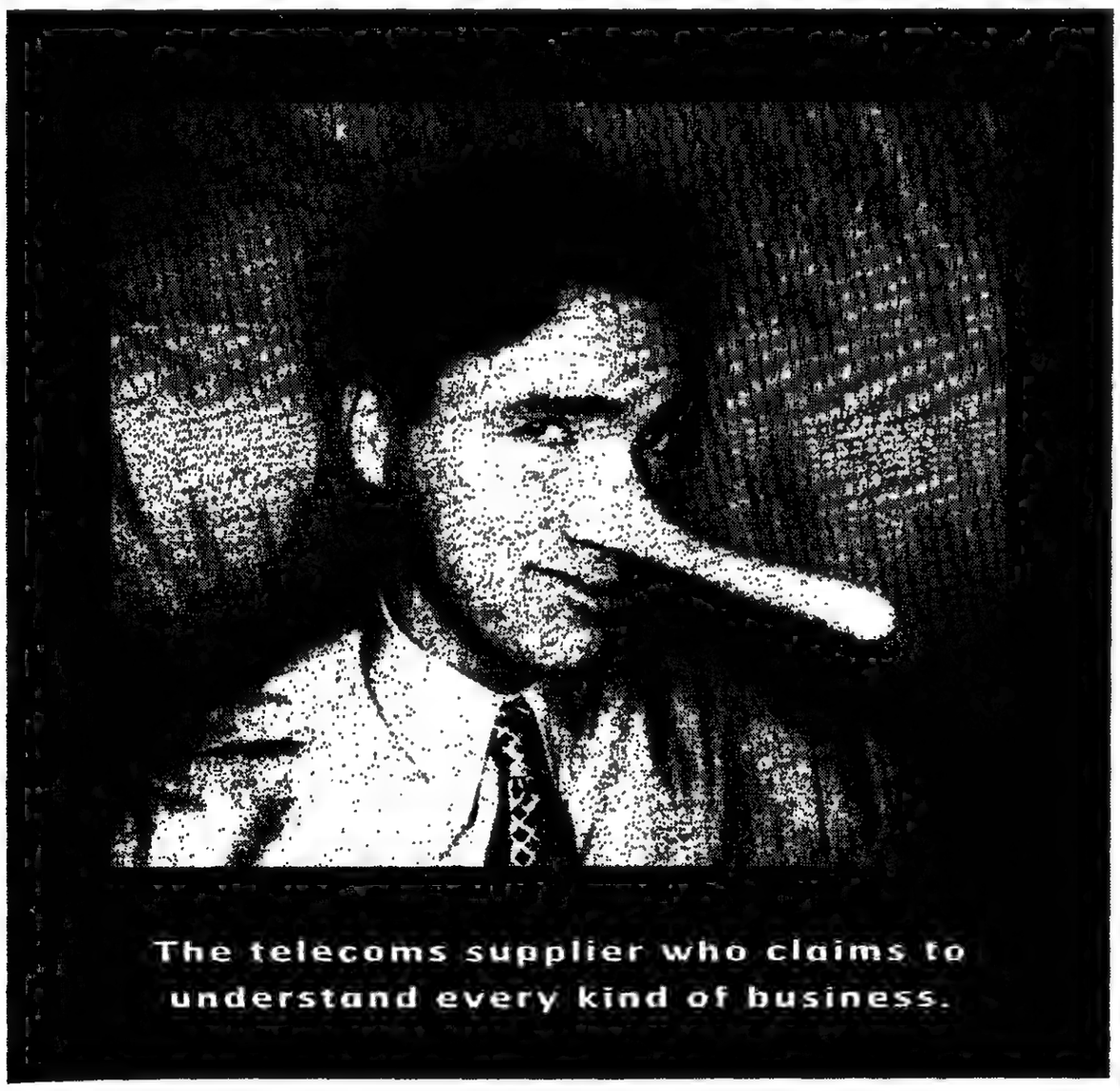
First, it is starting to offer some attractive products and prices that show the benefits of a global approach. For example, it offers global virtual private networks, call centre services, calling cards (including prepaid), global freephone and global frame relay.

In addition, it is rolling out an Asynchronous Transfer Mode backbone network (a high-capacity service for data, voice and multimedia), which is scheduled to reach 42 countries by the end of the year. It also offers Internet protocol services.

Second, Mr Foresee was sufficiently familiar with Global One before joining, that he was unlikely to have taken the leap if he thought there was no scope for improvement.

"I thought I could make a difference," says the lean, unflashy chief executive from Kansas Missouri. "I wanted to accelerate its progress and publicly state that the vision was intact."

It is a tough assignment and one that probably will not leave Mr Foresee, a keen golfer, with much time to unwind on the golf course.

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**ON THE LINE: Jorma Ollila, CEO of Nokia** by Joia Shillingford

# In pole position to exploit convergence

The move into browser phones will bring Nokia into competition with Silicon Valley's finest, but Mr Ollila is not daunted

"By the year 2000, browser phones [mobiles that can surf the Internet] will outsell portable computers," predicts Jorma Ollila, president and chief executive of Nokia.

He says Nokia is in pole position to take advantage of the convergence of fixed and mobile telecoms because it already has a browser phone.

The Nokia 9000 or Communicator – a new 40 per cent smaller, much lighter version of the 9110 – will be out in December. It combines the functions of personal organiser, mobile phone and portable electronic mail terminal.

Another Nokia phone, the 8110, can also connect to the Net. And Mr Ollila says Nokia was the first company to introduce a mobile phone that could be connected to a laptop computer to transmit data over mobile networks.

This experience is likely to come in handy as the company develops a new generation of browser phones that use UK personal organiser company Psion's Epoc operating system.

Nokia is one of the founder members of the Symbian joint venture, which is adapting Epoc for mobiles, along with Psion, rival Ericsson and others.

Motorola joined Symbian in October, making the system a powerful alternative to Microsoft's Windows CE on future mobile devices.

Further down the line, mobile Internet will be the killer application for Universal Mobile Telephony Services, says Mr Ollila. And before that, Nokia is working on ways of speeding up data access including High Speed Circuit Switched Data.

The move into browser phones will bring the company into competition with Silicon Valley's finest, but Mr Ollila is not daunted.

He points out that there are 300m mobile phone users worldwide, a huge potential user base. "In the next two years, 10-15 per cent of all mobiles will have a browser capability," he says.

Nokia is also providing the phones for a Japanese trial of wideband CDMA, the third generation mobile standard.

The company expects its profits to grow at 25-35 per cent a year for the next few years and exceed that this financial year. Mr Ollila seems highly focused on getting what he wants.

Sales of the Communicator have been slow but, because he believes this is a strategic product for the future, he

Jorma Ollila: helped to turn the company round when it had problems in the late 1980s

has stuck with it and improved it. Staff have also been equipped with it and used it to check their e-mail.

The company's focus has turned Nokia into a successful company with operating profits up 81 per cent to FM4.081m in the third quarter compared with a year earlier.

Mr Ollila's focus also helped to turn the company round when it had problems in the late 1980s and early 1990s. He joined the company in 1985, headed finance in 1986, became president of Nokia Mobile Phones in 1990, and president and chief executive of the whole company in 1992.

Another focus is Internet protocol telephony – a way of transmitting voice calls in a similar way to data – and Nokia bought Ipsilon to add to its capabilities. Mr Ollila does not rule out making other small acquisitions in areas of new technology.

The company recently withdrew from making TV sets but still makes set-top boxes for interactive digital TV, a service often offered in conjunction with telephony.

The challenge Nokia faces now is how to avoid getting complacent as it gets bigger. Earlier this month Mr Ollila gave a talk to the Engineering Academy of Sweden on whether large companies can be innovative.

His view is that once companies reach a $20bn turnover they tend to lose the ability to innovate. He says Nokia's turnover by the end of this financial year will be around $14bn.

Mr Ollila is taking no chances, though. He has moved his four top managers, all Finnish, into new posts.

He also believes that in a large company, corporate values become more important. "In a small company the chief executive can gather everyone together and radiate his charisma," he says.

"In a large company the corporate values must be spread from existing staff to new staff, so that even far-flung parts of the business seem like part of the same organisation and can react quickly."

Nokia is on a roll with a mission to be number one in mobiles in Europe and a futuristic new headquarters overlooking an inlet of the Baltic Sea. But for a company so successful it controls its image very carefully.

Two concerns loom. First is the issue of whether mobile phones are safe.

Almost the company's entire business is centred around mobiles and mobile phone infrastructure. When asked what the company would do if the electromagnetic radiation from mobiles turned out to be harmful to health, Mr Ollila says: "There is no 'if' because we are very confident with the research we have done over the past 10 years that mobile phones are safe."

However, some engineers at the company are starting to use their mobiles in conjunction with separate earpieces to avoid holding the phones against their heads.

Second, demand for mobiles in Europe is expected to be high in the run-up to Christmas and some retailers are worried about running out of handsets.

Mr Ollila says: "There are seasonal shortages for sure. It is very difficult to forecast and we have consistently underestimated demand for mobiles, as have market analysts. But we will be in good shape towards Christmas."

The company is also putting in a new supply chain management system from US company Manugistics.

Mr Ollila's ambition will keep driving Nokia forward. A former Citibank banker, he studied for two degrees at Helsinki University in parallel before doing a third master at the London School of Economics.

He sees himself as an applied mathematician and engineer who can bring economics into the picture. He nearly became an academic, but decided he was more of a doer and a people person.

Mr Ollila is probably a harder taskmaster to himself than to others. He mentions travelling to an area of China close to where Shangri-La is said to have been. But he says: "That trip was earned through many days of hard work."

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**ASIA OVERVIEW** by Louise Lucas in Hong Kong

# Still picking up the pieces

## Operators are counting the cost of ventures that have been knocked off course

For telecoms operators and investors Asia has proved something of a false El Dorado. Wooed by a mix of low penetration rates, burgeoning wealth and a gradual dismantling of barriers, nudged along by the World Trade Organisation, investors big and small are left counting the cost.

Growth trends were knocked sharply off course by the Asian financial crisis. Worse, the heavy indebtedness of many of the operators meant that once local currencies devalued, the cost of servicing foreign debt rendered them effectively bankrupt.

More than a year after the crisis began, governments and telecoms companies are still scrambling to come up with restructuring solutions and foreign investors still bear the scars.

Bell Atlantic Corporation, for example, recently made $545m worth of provisions against its investments in Thailand and Indonesia. In Germany, Deutsche Telekom has also had to make big write-offs.

However, few international operators have been brave enough to call for a mass retreat, and some are actually making strong advances. British Telecom has this year snapped up stakes in LG Telecom of South Korea, Binariang of Malaysia and Star Hub in Singapore.

For their part, Asian telecoms companies are on the look-out for both cash and technology transfer. Philippine Long Distance Telephone, tentatively in the sights of both First Pacific, the pan-Asian conglomerate, and Southwest Bell of the US, is a case in point.

Philippines President Joseph Estrada has said that, while it is the government's tendency to privatise, bidding for government stakes by foreign companies such as Southwest who are prepared to put up equity and introduce modern technology, "is a good sign".

His willingness to entertain such deals might also be taken as "a good sign". The type of deals on offer in Asia in the past have proved less than satisfactory, such as the Indonesian fixed-line joint venture *Kerja Sama Operasi* (KSOs) from which several operators are now trying to extricate themselves.

The Asian financial crisis has changed that. Now companies such as British Telecom are hunting down big stakes in the established operators that were out of their reach before, when acquisitions were in either limited scope operators or alternative carriers.

Matthias Goertz, a Bangkok-based senior associate at Booz-Allen & Hamilton, the management consultancy, says more operators are looking to take a slice of fully integrated telecoms companies in Asia.

"There are now more opportunities, for example in Thailand and Korea, and maybe Singapore, to go into fully integrated players," he says. "This means investing in either the incumbent or a strong second carrier which could become a fully integrated player."

Companies which fall into this category include those targeted by British Telecom, whose Asian push is dictated by its coming joint venture with AT&T, which is missing an Asian leg, and the lower prices and greater availability on offer.

Other strategies are more dependent on securing hubs, or laying cables for global coverage. This tack has been taken by MCI WorldCom, which began building its fibre optic networks in Tokyo and Sydney swiftly after receiving the green light.

The aggressive US giant's Asian ambitions may, however, run aground in the supposedly freest market of all, Hong Kong.

The superlative free market economy is labouring under recession and the four fixed-line licensees are urging the government to limit the number of new licences it issues, as it has pledged to do under World Trade Organisation agreements, because greater competition will force them to lay off staff and retract investment.

"There is considerable pressure, particularly from the fixed-line players, to retain a cartel in the Hong Kong market to protect the current operators," says Steve Liddell, president of MCI WorldCom Asia Pacific.

"We don't believe this is right for Hong Kong as an economic centre and as a centre for IT expertise."

To date, the government's stance has sided with his philosophy. Only last month the doors were opened to bids for international direct dial licences using international simple resale. (ISR), effectively selling on existing capacity.

This is a move in the right direction, but companies such as MCI WorldCom want more – the opportunity, which may or may not be granted from January 1, 2000, to build their own infrastructure.

Hong Kong has also taken the lead in preparing an omnibus set of rules that break down the barriers, as technology has already done, between telecoms and broadcasting. Already Hongkong Telecom, the former monopoly, is offering video on demand and Internet-based services such as home banking. Others will now be able to follow suit.

As a hub and a financial centre, Hong Kong remains an important plank of the global operators' ambitions, but its attractions have been somewhat diminished by regressive steps taken across the border.

"The trouble with Hong Kong is, it's not very big in itself and it is very competitive," says Mr Goertz. "Where people have been disappointed is that there was a feeling it would be a good beachhead into China.

"Cable & Wireless of the UK, which controls Hongkong Telecom, always hoped it could capitalise on its strong position to get into China but never succeeded. Hong Kong as an entry point to China did not work."

C&W perhaps got closest, signing an agreement just ahead of the handover of sovereignty in Hong Kong on July 1 last year.

It agreed to sell its controlling stake in Hongkong Telecom, one of the last big British commercial interests, to China. In return it was to be offered a pioneering role in China's closely guarded telecoms sector.

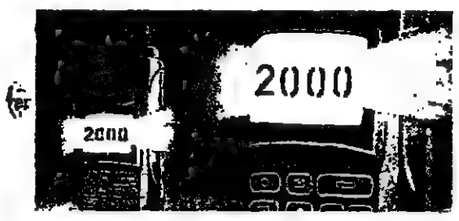
Part of that deal gave foreigners a tiny entry point, the flotation on the Hong Kong stock exchange of China Telecom (Hong Kong), which comprises cellular networks in China's wealthier provinces.

But C&W has no stake in CTHK, and nor has it had a whiff of new operational telecoms opportunities in China.

Conversely, China has shuttered up its market more tightly than ever. Its decision not to adopt the CDMA technology standard on which Great Wall, a joint venture between the former ministry of posts and telecommunications and the People's Liberation Army had been working, dealt a blow to Hutchison Telecoms, a Hong Kong company which had one of the best inroads into China.

At the same time the curtains have come down on joint ventures with Unicom, China's struggling second operator. There are embryonic signs that Beijing may rethink its ban on foreign funding for these ventures, but most analysts are sceptical that this will result in a policy U-turn.

Hong Kong trader: As a hub and a financial centre, Hong Kong remains an important plank of the global operators' ambitions but its attractions have been diminished AP

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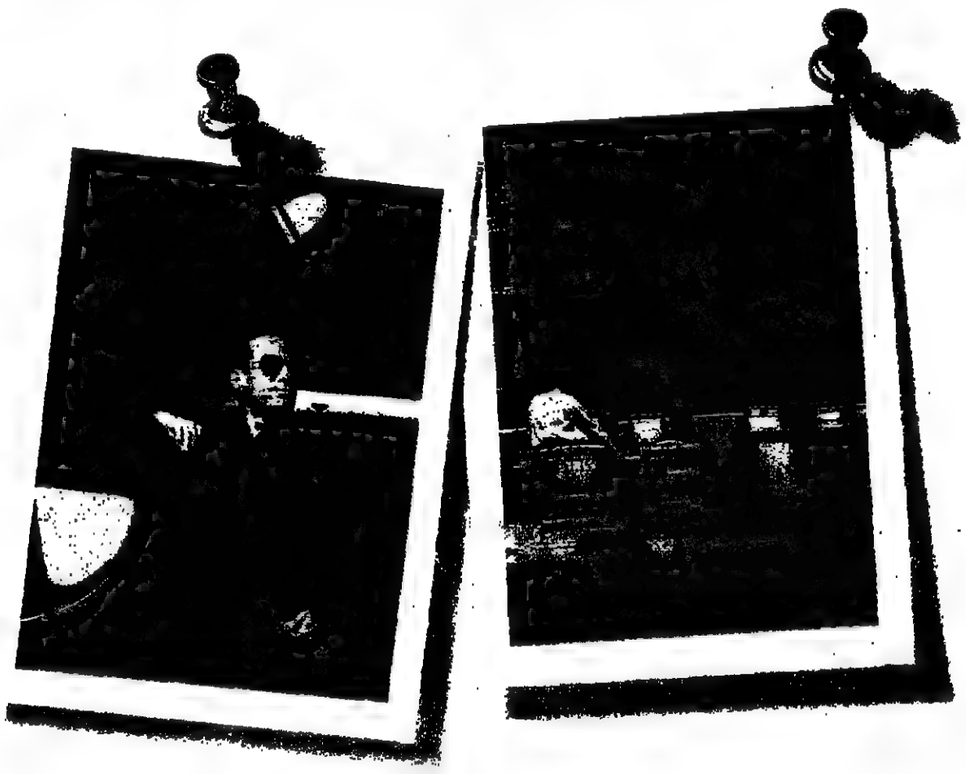

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**CHINA** by James Kynge in Beijing

# Disappointment despite growth of 35%

A surge of forceful local competition in the equipment market has contributed to falling profit margins for foreign companies and, in some areas, begun to eat into overseas investors' market share

For corporate leaders in most industries, China is a vast, untapped market which is expected to become crucial to worldwide revenues some time in the hazy future. But in telecoms, the future has already arrived.

Telecoms equipment manufacturers such as Nokia, Ericsson and Motorola now find that China is either their largest, or one of their largest, markets. Nokia, for example, sold $1.2bn worth of telecoms equipment here last year and has invested about $500m in seven production plants across the country, most of which were finished this year.

"In 1995, China was the twelfth-biggest market worldwide for Nokia. This year it became the largest, equal with the US, accounting for 13 per cent of sales," said David Stoneham, corporate communications manager of Nokia China.

But despite spectacular subscriber growth – officially estimated at about 35 per cent – it has been a generally disappointing year for foreign companies both in telecoms services and in the equipment industry.

The rise of local competition in the equipment market has contributed to falling profit margins and, in some areas, begun to eat into the foreigners' market share. This surge of competition is new and forceful.

"We have more than doubled our sales every year since we were established," says Wang Pei, deputy general manager of Datang Telecom Technology. His company expects sales of RMB2bn this year, up from RMB1bn last year.

The biggest Chinese equipment supplier, Huawei, demonstrates that local Chinese competition appears to be focused on long-term strategies. Of Huawei's 8,000 staff (average age: 27), some 3,200 are researchers who use as much as one quarter of total sales in research and development spending.

Huawei and Datang have both started, or are shortly scheduled to start, operating their GSM networks (developed in-house), thereby moving into a lucrative area which had hitherto been the preserve of the foreign giants.

As such companies – most of which did not exist just five years ago – grow in size and technological expertise, so the pressure on foreign equipment manufacturers to transfer technology is set to intensify. "Market access has always been linked to technology transfer," said one foreign executive. "This trend will only become more pronounced."

The stakes for all concerned are significant. According to Wu Jichuan, the minister of information industries, China now has about 20m mobile phone subscribers, placing it third in size after the US and Japan. There are more than 80m fixed-line subscribers and a similar number of pager users.

But penetration rates remain small. By the end of this year, China's penetration rate for fixed-line services may rise to 10 per cent from about 8 per cent at the end of last year, Mr Wu said.

China now has about 20m mobile phone subscribers AP

Foreign companies are prohibited from owning equity in telecoms services operations but have circumvented this ban in recent years by means of a complicated "Chinese, Chinese, Foreign" (CCF) investment format which has allowed them to derive revenue from telecoms operations through various management and consultancy fees.

A total of 46 foreign companies, including industry leaders such as Deutsche Telekom, France Telecom, and Sprint, have invested a total of $1.4bn in such ventures.

More importantly, these CCF schemes were regarded by the foreign companies as foot-in-the-door strategies which would subsequently launch investments of a far greater magnitude. But such hopes have since crashed. Mr Wu told the FT in an interview in October that CCF investments had been a cover for many "irregularities". He blamed China Unicom, China's second state carrier, for unauthorised practices.

"China Unicom has started to use the Chinese, Chinese, Foreign method. But in this method we have found many irregularities," Mr Wu said.

"To us, (some of) these are a violation of development laws. At the moment, we are conducting a process of rectification... We want to clean up these joint ventures one by one," he added.

The minister said the main violation was that foreign partners have often derived revenue from installation fees. Such fees should be used to pay for infrastructure construction, especially in the more marginal areas of China, he said. The foreign companies involved in CCF ventures should derive revenue only from the operation of the network, Mr Wu said.

Telecoms consultants said that if the main criterion of propriety was the use of installation fees, then most CCF ventures would have transgressed. "The truth is that there has been no clear set of rules pertaining to CCF ventures," said one consultant.

The underlying reasons for the move against foreign investors may have less to do with the law than with a sense that China's need for foreign capital and technology is waning.

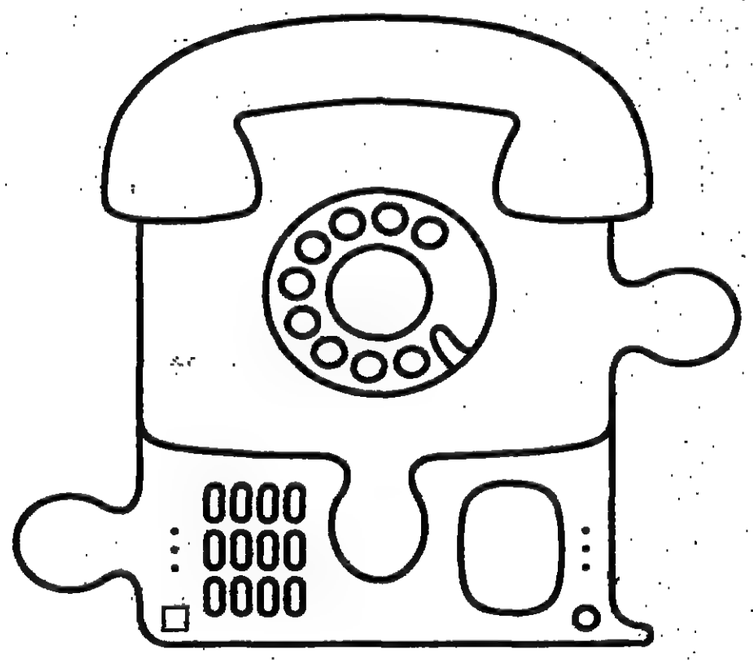
"There is a growing feeling that China can go it alone in telecoms. Chinese banks have plenty of funds to lend to the telecoms sector. Overall, the market may be getting a little more protectionist," said Duncan Clark, managing director of BD Associates, a telecoms consultancy in China.

Local competitor: public phones run by Beijing stallholders still greatly outnumber modern cardphones in the city AP

Mr Wu may have been convinced by the speed at which China's market is growing, and the success of China Telecom's various stock market listings, that the role of foreign companies may not be as crucial as previously thought.

The blow to CCF hopes has also hit China Unicom, which has been seen as a rival by Mr Wu since it was established in 1994. Responsibility for China Unicom was transferred to Mr Wu's expanded ministry in March this year. Now, Mr Wu said, all of its business ventures must gain approval from the Ministry of Information Industry (MII). The MII also owns China Telecom.

Such a scenario does not raise the hopes of foreigners for market liberalisation or China's early entry into the World Trade Organisation. Indeed, Mr Wu said "there is no timetable" for progress toward WTO admission.

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**SINGAPORE** by Ted Bardacke in Kuala Lumpur

# Reaping the benefits of competition

Greater competition has meant more investment, more services, and more people serviced

Eighteen months after Singapore introduced competition into its telecommunications industry with the licensing of another mobile phone network operator and three additional paging companies to compete with Singapore Telecom's previous monopoly, the island nation is reaping the benefits.

MobileOne, the upstart new mobile network operator, has grabbed a market share of about 25 per cent and is taking nearly one in every two new mobile phone customers away from the established giant, government-owned SingTel.

Mobile phone penetration is rising to nearly 40 per cent.

While tariffs remain at levels that will allow both companies to make profits, customers say the real result has been better service all round.

MobileOne aggressively markets the capacity of its network and expects to post its first profit this year despite the slowdown in the Singapore economy.

SingTel, caught be surprise initially, has responded with a range of new services, some of which build on the company's monopoly in basic fixed-line services, such as Mobile PhoneNet which allows users to integrate their mobile phone numbers into their company's phone system.

Meanwhile, the company also has begun to offer SingTel Ring, an integrated wireless radio service that supports telephone interconnectivity – like a walkie-talkie and mobile phone rolled into one.

More competition has meant more investment, more services, and more people serviced. And the company still has the cash to make capital expenditures of S$1bn in financial year 1998-99 alone.

Analysts say that once the international monopoly is lifted and StarHub, led by British Telecommunications and NTT of Japan, begins operations, Singapore will at least stay even with its other Asia-Pacific telecoms competitors: Hong Kong, Sydney and Tokyo.

To understand how Singapore may benefit, consider what happened in a lucrative niche market such as satellite television broadcasting. The country made it easy for a broadcaster to set up a satellite earth station and kept costs reasonable. As a result, international broadcasters such as Discovery Channel and ESPN moved their facilities to Singapore. Hong Kong, which lost a lot of the business gained by Singapore, suffers from what one media analyst calls the three Cs: cost, convenience and China.

Another important liberalisation move came earlier this year when the Telecommunications Authority of Singapore liberalised the market for Internet service providers. Singapore has made no secret of its ambitions to become a centre for e-commerce services in Asia and freeing up the ISP market was crucial.

Many companies are using Singapore – small, affluent and wired – to experiment with e-commerce services for the rest of Asia, and are likely to branch out from there when they expand. For example, Guardian Insurance of the UK recently started offering travel, home and wedding insurance policies directly over the Internet.

"This development highlights not only the company's dedication to meeting customer needs, but also its support for the government's plans to make Singapore the e-commerce hub of Asia," says Ngo Siew Pod, principal officer of Guardian Insurance in Singapore.

But what will really change telecoms services in Singapore will be the entrance of StarHub, with licences in the full range of areas: basic fixed-line, mobile and international gateway.

Singapore is already cost-competitive. Even without open competition, SingTel was ranked number one in the National University of Singapore's 1998 Asia Pacific Telecommunications Index in price competitiveness in four main voice and data services: direct dial, frame relay, leased circuits and ISDN. SingTel was also voted Asia Pacific's price leader for international leased circuits in a December 1997 survey by Data Communications.

Part of the reason for this is that there is already "robust competition" between Singapore, Hong Kong, Sydney and Tokyo to become the region's telecoms hub for big corporate customers, says Fredson Bowers, regional telecoms analyst at Indosuez W.I. Carr Securities.

"Pricing is not off the shelf," he says. "Everything is a negotiated deal."

But analysts say that costs in Singapore can go lower. SingTel's monthly line charges are double that of its peer group and the company's operating costs are relatively higher as well, according to Mr Bowers.

Part of the reason BT will have a relatively quick start-up is that it already has lots of multinational customers through its Concert global alliance and it is also a big customer of Singapore Telecom.

With rates inevitably set to fall, the fight between StarHub and SingTel, and by extention the fight between Singapore and neighbourhood competitors, is likely to focus on service.

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**INDIA** by Amy Louise Kazmin in New Delhi

# Targets have not been achieved

## About half of India's villages still lack even a single phone connection

In 1994, Indian officials released a National Telecommunications Policy, outlining a vision of an India where telephone connections, instead of being a scarce resource, would be widely available.

By 1997, the report confidently predicted, every one of India's 600,000 villages would have at least one phone installed. And residents would be able to get a telephone on demand, rather than waiting – as many had – as long as a decade for a connection.

India's teledensity was supposed to surge from less than one line for every 100 people to 2.5 lines per hundred. The engine driving this communications explosion was to be private enterprise, invited to invest in the sector back in 1992.

The deadline has come and gone, but the goals have not been met. India's telephone density has risen to just 2 lines per 100 people, an increase almost entirely due to a ramp up in services provided by government entities. Except in two smaller cities in Madhya Pradesh, and now Bombay, basic telephone service remains a de facto monopoly of India's state-owned service providers, as private operators struggle to get their projects off the ground.

While cellular telephone services are widely available, their relatively high rates – between 10 and 40 times the cost of a fixed line phone call – make them unappealing for most Indians. About half of India's villages still lack even a single phone connection.

India is something of an example of how not to open a government-monopolised telecoms sector. The biggest mistake, analysts say, was auctioning telecoms licences without first setting up an independent regulator to set rules for fair competition between the new entrants, and the Department of Telecommunications.

Instead, the DoT, a sluggish bureaucracy with more than 450,000 employees, set the licensing terms and conditions, most of which were disadvantageous to the private companies, the DoT's direct competitors. For example, telecoms bureaucrats refused to initiate revenue-sharing – common in most countries – that would give cellphone operators a share of the extra revenues generated by cellphone users for the state-owned networks.

The contracts also place no obligation on the government to provide interconnection or other infrastructure in a timely manner. "It's a one-sided contract," says N. Seshagiri, director-general of the National Infomatics Centre and a member of an information technology task force reviewing telecom.

And that is not the only problem. Before the auction for licences, Indian officials created a massive hype about the potential value of the telecoms market, which caused a frenzy and tremendous overbidding.

"Insanity prevailed," says Sunil Mittal, chairman of Bharti Enterprises, which operates basic services in Madhya Pradesh and a cellphone service in Delhi in joint ventures.

Mahesh Uppal, an independent telecoms consultant, said neither DoT bureaucrats, nor Indian companies or their foreign joint venture partners – which include BT, AT&T, Swiss Telecom, and Australia's Telstra, had the expertise to accurately assess India's telecoms market. "After the euphoria subsided, people began to do the sums and found the money just ain't there," said Mr Uppal.

As a result, most licence holders have not been able to persuade reluctant financiers that their telecoms projects are potentially viable. Companies have appealed for concessions such as licence extensions and moratoriums on payments, which they say are required to put deals together.

Recently, government officials agreed to a five-year extension of the 10-year licences held by cellular phone operators in rural areas. But government officials – counting on licence fees to help them meet revenue targets – have so far been unwilling to make other concessions.

Meanwhile, the introduction of private services into New Delhi is bogged down by a prolonged legal battle between bureaucrats and Himachal Futuristic Communications over whether the company, which holds the licences to provide basic services there, will have to pay a punitive fee in order to withdraw from the field.

But with the sector seemingly at a standstill, there are signs that investors in India's ailing telecoms sector may soon get a break. In October, Atal Behari Vajpayee, India's prime minister, said he had asked the task force on information technology to find a solution to break the deadlock and get the telecoms sector moving. The task force is already considering fairly big policy changes, including the possible abolition of a flat licence fee and the introduction of some form of revenue-sharing. "We are all of the view that the licence fee needs to be reduced," says Mr Seshagiri.

Of course, a consensus on the need for change is still a long way from an approved policy solution. And any move to abolish licence fees is likely to be resisted by many, including the finance ministry and companies that lost out in the auction for licences. But there are other signs of hope. Metro cellular phone operators believe it is only a matter of time before the ruling Bharatiya Janata party (BJP) grants them a licence extension, which could help them to tie up their financing.

And India's now established telecoms regulator has proposed a new tariff policy that would reduce costs to private operators for facilities such as leased lines and would also increase fixed-line tariffs for local calls, reducing the ratio of costs between fixed phones and cellphones, and encouraging more widespread use of mobile phones. The regulator has also proposed that cellphone companies get a share of the additional revenues they generate.

The government also announced it had decided to allow private companies to provide access to the Internet, which has been, until now, a government monopoly. The Internet market has been opened to any number of operators who can enter by putting up a bank guarantee and paying just a token licence fee of a single rupee per year.

The government also decided to allow ISPs to make a "last mile link," from their server to large volume Internet users, a decision which could shake up the industry. Basic service providers might be able to make a stronger case against their own exorbitant licence fees, arguing that if ISPs can provide last mile links without paying any licence fee, they should have the same right.

Industry experts say the government will have to produce concessions and policy changes if it wants to make phones and modern communications more widely available.

Cellular services are widely available but cost 10-40 times the cost of a fixed-line phone call AP

**AUSTRALIA** by Stephen Wyatt in Sydney

# Still some way to go on reform road

## The sector has been transformed and growth has been explosive. But some issues still need to be resolved

A revolution is under way in the Australian telecommunications industry.

Investors have reeled in profits from the partial privatisation late last year of Telstra, the government's telecoms group; new technologies are being lapped up by communications-hungry [illegible]tion; new telecoms companies, especially US and UK groups, are jumping into the now deregulated Australian market; and consumers are seeing some benefits in lower communications costs and improved services.

But there is still a way to go. The general carrier market remains primarily a duopoly: Telstra still totally dominates the local call market and Australian telecoms charges, while lower, could still fall some more.

The industry has been transformed from a government-owned telecoms monopoly in 1991, into a completely deregulated sector. Its growth has been explosive: a compound annual rate of 11 per cent, or triple Australia's rate of gross domestic product growth, over the period 1994-1998. Industry revenues have almost doubled in the past six years to A$22bn today.

A lot of this growth can be attributed to rapid technological change. Back in 1990, conventional phone services accounted for most of the revenue. Now they account for about 55 per cent of total revenues. Mobile networks account for 25 per cent, data about 10 per cent and other services the balance.

About a third of the Australian population have mobile phones which makes Australia the tenth-largest user in the world. Growth in this sector has been exponential. The number of mobile telephone customers in Australia has increased by 1,200 per cent since 1992, from 400,000 to more than 5m.

The same story applies to adoption of the Internet. Between 1991 and 1997, Internet connections increased 24-fold with more than 12 per cent of households now using the Internet; the fifth-largest nation of users in the world. Last year alone, the number of Internet users increased by 50 per cent.

Just a decade ago the Australian telecoms industry focused totally on telephony and was controlled by a lumbering and inefficient government telecoms monopoly. Today, after complete deregulation on July 1 1997, the market has a host of new operators.

Optus Communications is the second-largest carrier and now, with its cable roll-out completed, is the only other full service provider.

Vodafone – owned by the UK Vodafone group – – is now the third-largest telecoms group in Australia, although it is only active in the mobile market.

There are a further 70 carrier service providers, 12 of which are serious competitors, and about 650 Internet service providers.

These carrier service providers buy bulk telecoms capacity from Telstra, Optus or even international carriers. They then resell it at a discount to retail price levels. The largest are AAP Telecommunications, GlobalOne, WorldxChange, Primus and BT.

Cable and Wireless Optus, the first and largest competitor of Telstra, the once fully government-owned telecoms monopoly, has just listed on the Australian stock exchange. Optus will be capitalised at A$6.65bn, making it one of Australia's largest 15 listed companies. Cable & Wireless will increase its stake to 52.8 per cent with retail and institutional investors holding the balance.

This follows the float in November last year of a third of Telstra for A$16bn. Early next year, another 16 per cent of Telstra could be floated. This will convert the once fully government-owned telecoms monopoly into a company which will be 49 per cent privately owned.

Yet even with all these changes, Telstra still firmly dominates the industry. Its infrastructure dwarfs its competitors' and although competition policy requires parts of this infrastructure to be open to competitors via "interconnect" charges, the level of these charges limits competition. At the same time, local loops (from exchange to residence) are not "declared" open to competitors. This local call market is worth $5bn a year and is monopolised by Telstra.

These issues of "declared" services and "interconnect" (charges) are areas of constant contention and a significant reason why Telstra still holds 80 per cent of the entire communications market, 99 per cent of the local call market, 65 per cent of the international call market, 80 per cent of the national long distance call market and 58 per cent of the mobile market.

The very success of deregulation in Australia depends on the cost of "interconnect" between networks and whether the local call market is "declared".

Outside the local call market, in the contestable market (national and international long-distance voice, mobile and data), Telstra's market share is forecast to fall: "Below 50 per cent in 1999," said Paul Budde of Paul Budde Communications. He says service providers have already increased their market share in this sector to a "remarkable" 27 per cent.

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**EQUIPMENT MANUFACTURERS: CONVERGENCE AND RESTRUCTURING** by Philip Manchester

# The domination of data has profound implications

Signs of change were manifest this year with an acceleration in the number of alliances and takeovers involving traditional telecoms carriers and data networking specialists

No one is quite sure when it will happen – but the volume of data traffic will soon overtake voice traffic over the telecoms network.

The main reason for the shift is the increased use of digital technology within the network – thus removing the distinction between data and voice. In modern digital networks, both are represented by a stream of data bits – enabling, for example, the Internet to be used for voice telephone calls and audio messaging services.

The convergence of computer and telecoms technologies has, of course, been under way for the past two decades. The domination of data is one inevitable result which has profound implications for the structures of both the telecoms and computer industries.

When combined with advances in television, cable and satellite technologies – and the widespread deregulation of the telecoms industry – convergence is a powerful agent for change. It brings suppliers from both industries closer together and should translate into lower telecoms costs and a wider choice of services.

The first signs of the change were manifest this year with an acceleration in the number of alliances and takeovers involving traditional telecoms carriers and data networking specialists.

*Telecoms giant Nortel's* takeover of Bay Networks in the summer provided evidence that not only were voice and data technologies converging, but that equipment suppliers were, too.

"From our point of view it was more a question of when rather than if," says Paul Trowbridge of Bay Networks in the UK.

He characterises the deal as part of an industry-wide "race to the middle" – with telecoms suppliers needing the skills of data networking suppliers and vice versa.

"The large telecoms suppliers like Nortel, Alcatel and Lucent have all been looking for what they need – maybe by taking small steps through minor acquisitions – like Alcatel – or forming business relationships like Siemens and 3Com. Or, of course, going for the big bang like Nortel and ourselves."

Given the relative size of the two partners, the structure of the Nortel-Bay deal reflects the importance of data in the new environment. Nortel's 1997 revenues were $15.5bn and Bay's latest figures show annual revenues of $2.4bn. Despite the *difference in size, the deal is* seen as an equal partnership – with Nortel's John Roth as chief executive officer and Bay's Dave House as president.

The result is what the new entity calls "a new kind of networking" company which can offer the complete range of telecoms services and supporting technologies.

The advantages are clear; Nortel gets Bay's data networks expertise and Bay gets a potentially enormous market for its data networks. More importantly, the entire network will be integrated.

Timothy Cawley: 'Data will be one of the biggest growth areas'

John Roth, Nortel-Bay chief executive: equal partnership

"If you look at the Bay-*Nortel merger you can see a* direct consequence of convergence and a marked change from only a few years ago when there was a clear separation between voice and data," observes Alan Roach, vice-president of operations at networking consultant International Network Services (INS).

"Now it's all just a digital datastream – whether it's converted voice, computer data or multimedia data. It is no surprise that the data networking companies like Cisco and Bay are taking on the telecommunications incumbents. Cisco is buying in specific expertise in voice *technology* and Bay has merged with Nortel," adds Mr Roach.

He goes on to say that "voice over the Internet" is a key driving force:

"Voice over the Internet will be a major influence. It will get to top quality in time and when it does it will force the telecoms suppliers to change. Currently, they are planning on a long-term model but they will have to move to a short-term one – comparable to the data network suppliers."

While this points to even greater dominance of data, traditional telecoms suppliers still have an important role to play – turning the technology into usable and appealing customer services.

Timothy Cawley, president of Ameritech International and a vice-president of the privatised Danish PTT Tele Danmark, says: "It is clear that data is going to be one of the biggest growth areas in the next 10-15 years and it will create a rich market for competition.

"Companies like Cisco and Bay are obviously a big influence but I don't think most customers differentiate on technology. They want a network that does what they want.

"Obviously to handle the growing need for data requires significant changes to our infrastructure. We are working closely with suppliers like Cisco and Bay to achieve this. But in the end it is the services that we offer that will really matter."

Terry Moloney, business development manager at Sun Microsystems' UK telecoms group, agrees that it is the services on offer that will make or break a "converged" network:

"Sun's vision is of the service-driven network which brings voice and data together. But you need to make it accessible and reliable – in the same way that the voice telephone network is. Our ceo, Scott McNealy, says that booting up the system should be as easy as picking up the phone and dialling a number. That is what will appeal to customers."

Mr Moloney says that the convergence of voice and data will force telecoms companies to become more service oriented: "There is no doubt that digital technology is opening the way to a whole raft of new applications and services and you can see the evidence in the consortia being set up by telecoms operators aimed at delivering new services based on the Web. Alcatel's Web phone is an example."

Clearly, the full effects of convergence have still to run their course and they will continue to stimulate change for many years to come. Who emerges on top – telecoms or computer companies – is still an open question.

**JAPAN** by Michiyo Nakamoto in Tokyo

# NTT Docomo standard sets the pace

The mobile subsidiary of Japan's former public telecoms utility is a leader in the race to establish a global standard for third-generation mobile communications

For all its world-class technology, Japan has never managed to develop a standard in the field of telecommunications that has been accepted by the rest of the world. Although the Japanese telecoms market is the second largest after the US, the efforts of the industry to break out onto the global stage have been frustrated by poor marketing as well as a lack of political clout.

No wonder then that the decision by the European Telecoms Standards Institute to adopt a standard for third-generation mobile communications based on technology largely developed by NTT Docomo – the mobile subsidiary of NTT, the former public telecoms utility – was greeted in Japan with unabashed glee.

NTT Docomo had worked tirelessly to ensure that Wideband CDMA, the standard it has been developing, would find global acceptance. With that objective in mind, Docomo tied up with not only the leading Japanese equipment makers such as NEC and Fujitsu, but also foreign suppliers including Ericsson and Lucent Technologies and foreign operators such as Telecom Italia Mobile and SK Telecom in Korea.

Services based on the W-CDMA standard, which Docomo plans to launch in Japan from 2001, will use more than double the capacity of the half-rate PDC standard that is currently used in Japan and offer multimedia transmission in addition to voice telephony.

Users will be able to access the Internet, hold conference calls and send pictures from their mobile phones. The technology also promises better voice quality, smoother transition between base stations and a lower drop-call ratio than current systems allow.

Analysts believe that W-CDMA stands a fairly good chance of becoming the global standard for third-generation mobile communications – not least because W-CDMA has won the backing of the European industry, whose GSM standard for current generation mobile phones is the most widely used in the world today.

Existing GSM digital networks can be used for W-CDMA access, according to Ericsson, making it a good bet that W-CDMA will be the third generation choice for countries that already use GSM as their mobile standard.

However, there is a good possibility that W-CDMA will not be the only global standard; indeed there could be two or even three global standards for multimedia communications, says Hironori Tanaka, industry analyst at Morgan Stanley Dean Witter in Tokyo.

Docomo's technology faces competition from CDMA2000, an alternative technology developed by Qualcomm, the US company and promoted in Japan by DDI and IDO, two rival Japanese mobile communications companies.

DDI has already started to roll out services of the narrow-band version of this technology, known as CDMA-one, in Japan and IDO will join it next spring, making for national coverage.

The services have not been as popular as hoped for, in large part because of the comparatively large size of the handsets and the restricted coverage. But the handsets are scheduled to shrink at the same time as national coverage is achieved, making it a much more serious threat to Docomo's dominance in the Japanese market.

"The question is, to what extent the terminals meet the needs of users and how attractive the rates are," says Mr Tanaka

Docomo is moving ahead with its plans to roll out W-CDMA in 2001. The company needs to shift customers to the next generation of telecoms because it is fast running out of spectrum capacity to accommodate the growing needs of its customers.

The number of cellular users in Japan has grown nearly 14 times in the past four years, according to a report by Goldman Sachs in Tokyo. Given Docomo's share of more than 50 per cent of the market, it is hardly surprising that the company has struggled to keep up with demand. With the market expected to be twice the size it is now, with 45m users by 2000, Docomo expects to find spectrum capacity extremely tight in the not-too-distant future.

But the W-CDMA camp needs to resolve patent issues with Qualcomm, which has the basic patents for CDMA technology and has refused to make them freely available to outsiders.

Qualcomm has accused the W-CDMA camp of infringing its patents, a claim which they reject. Keiji Tachikawa, Docomo president, said last month that his company was

**Operators believe data transmission will be the fastest-growing part of the market**

encouraging Qualcomm to make its technology available for the global standardisation of W-CDMA at a fair and reasonable price and in a non-exclusive way, but Qualcomm had objections to the non-exclusivity clause. There is therefore a possibility of a damaging legal battle which could delay W-CDMA services.

But the biggest question over W-CDMA could be whether there really is demand for such advanced multimedia services.

Telecoms operators believe that data transmission will be the fastest growing part of the market. In the fixed phone market, data communications traffic is growing faster than voice communications and now comprises more than 50 per cent of the total traffic volume in some markets, according to a report by Ericsson.

"As people gain access to more powerful computer resources when they are in the office, so they will expect similar access to corporate networks when they are travelling," the Swedish company believes.

However, it is as yet unclear whether the average non-business user of mobile communications will want to have access to video conferencing and e-mail while on the go. E-mail represents less than 1 per cent of traffic on current mobile systems, notes Mr Tanaka.

By offering both high-end multimedia services, such as videoconferencing, as well as voice telephony on the same bandwidth, W-CDMA could prove too costly to be attractive to the average user. Satellite links could offer a better way to transmit images in large volume, not least because the technology is much cheaper, he says.

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**INTERNET SERVICE PROVIDERS** by Christopher Price

# US predators target ISPs with a 'wall of money'

Europe's rapidly increasing Internet usage, accompanied by the growing adoption of electronic commerce, is attracting attention from the US

Europe's Internet Service Providers (ISPs) have never been more in demand. Not only is the number of Internet users rising rapidly, but hungry predators from the US are looking to extend their influence in the region.

"There is a wall of money heading from the US into Europe at the moment," says John Harley, global head of information, communications and entertainment at PricewaterhouseCoopers, the management consultants. "Business-to-business ISPs are the main area of interest, but consumer ISPs are attracting attention as well."

It is the region's increasing Internet usage, accompanied by the growing adoption of electronic commerce, that is attracting attention from the US. Telecoms deregulation is further stimulating interest.

"Europe has finally arrived in terms of size and activity," says Oliver Castagne, ISP and new media consultant, also with PricewaterhouseCoopers.

Just how quickly analysts are expecting the market to grow is reflected in forecasts from Dataquest Europe, the market research group. It estimates that some 13.25m PCs were connected to the Internet in western Europe in 1997. This is forecast to rise to 21.2m this year, and jump to 59m by the end of 2002.

"This represents a 39 per cent annual compound growth rate," says Ken Fraser, principal analyst at Dataquest Europe. "The level of corporate interest comes as no surprise – this is a market in amazing health."

The research group's forecasts for revenues for the ISPs are equally positive. From an estimated $1.87bn last year, Dataquest believes there will be a 48 per cent rise in 1998 to $2.77bn, increasing to $6.84bn by the end of 2002.

In the UK, Europe's most developed Internet market, the number of ISPs rose from 190 to 300 in the year to June 30, according to research group Durlacher.

However, this increase, and similar rises across Europe, masks a restructuring in the ISP market. The biggest influence has been the emergence of fierce price competition as the bigger ISPs have taken to discounting Internet access fees to gain market share. This has often taken the form of the entrenched former state telecoms companies battling against new, often foreign, entrants.

Telecoms groups have been taking an increasingly keen interest in the ISP market as Internet telephony edges towards commerciality and their expensive new networks demand fresh business.

Thus, at the end of last month, France Telecom bought an 80 per cent stake in WEB A/S, a Danish ISP, having previously bought Oleane and NordNet of France. Meanwhile, from the US, PSINet has been active, buying CalvaPro and Calva-Com of France, and Interactive Networx of Germany. WorldCom has purchased French ISP, Internet-Way.

UK groups Scottish Telecom and Energis have both bought large UK-based ISPs – Demon and Planet OnLine respectively – and Colt Telecom acquired ImagiNet of France.

There have also been a host of new entrants, such as retailers and financial institutions, which have abolished access fees altogether in an attempt to become mass-market ISPs quickly.

For example, Dixons, the electrical retailer, has recently introduced a free Internet service in the UK.

Citibank has offered the same terms for its service for European customers, while in Germany, Germany.net also offers free access, and Deutsche Bank has announced plans to do the same for selected customers.

The effect of this has been to squeeze the hundreds of small ISPs, sending some out of the market, while others have become part of the consolidation being seen in the past year.

However, rather than the number of ISPs falling, the small regional groups are being replaced by more adaptive ISPs, which are supplying other Internet services such as web site hosting, site design and consultancy.

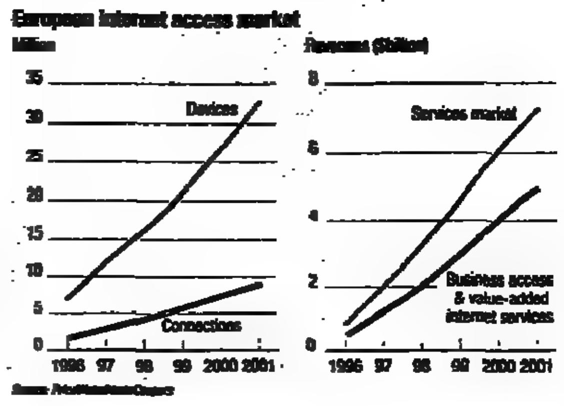
For this reason, Mr Fraser expects the estimated 2,000 ISPs in Europe to remain stable in numbers for the foreseeable future. However, he forecasts that the bigger suppliers will see their positions reinforced and their market shares grow.

Many large ISP sites now offer financial services, on-line shopping facilities, news updates, sports results and games. In return, the ISPs open up alternative revenue streams in the form of advertising, sponsorship and click-through traffic.

Yet the temptation for many of the large ISPs will be to see the fragmented market as an opportunity to buy market share through acquisition as much through organic growth.

This has already led to the big US telecoms groups and ISPs dominating the European ISP market, according to Dataquest. While T-Online of Germany has the biggest ISP revenues – 11 per cent of the total – in the region, the rest of the top five are US groups: AoL (10 per cent), Compuserve (8 per cent), WorldCom (3 per cent), and IBM (2.5 per cent).

European Internet access market




| | Population (million) | Penetration fixed telephone lines (%, 1998) | Penetration mobile phone (%, 1998) | Total ISP revenues ($m, 1997) | Total number of ISP's |
|---|---|---|---|---|---|
| UK | 59.1 | 49 | 18 | 313 | 400 |
| France | 59.0 | 58 | 15 | 137 | 128 |
| Germany | 82.3 | 51 | 15 | 437 | 60 |
| Scandinavia | 23.7 | Sweden: 71 Finland: 56 | Sweden: 48 Finland: [illegible] | 475 | 199 |
| Benelux | 26.3 | *53 | *20 | 230 | 106 |
| Total Europe | 747.1 | n/a | 20 | 1,907 | 1,800 |

*Average

**IP TELEPHONY** by Joia Shillingford

# Lure of lower IP prices may be irresistible

Internet Protocol telephony is hardly being used on European corporate networks today, but one consultancy predicts that by 2003 2m business sites will use it

Within the next five years in Europe, 21 per cent of voice traffic will be sent over Internet Protocol (IP) networks, according to the UK-based telecoms consultancy Schema. Analysts are enthusiastic about voice over IP because it is so much cheaper than conventional links. But how long will its price advantage last?

Robin Duke-Woolley, Schema's senior consultant, says *there are two kinds of voice* over IP.

First there is Internet telephony – using the Internet to send calls. This type of telephony will appeal more to consumers and small businesses because the Internet is not reliable and voice quality is not as good as over the standard public switched telephone network (PSTN). The Internet is fine for sending faxes, although they could take longer to arrive than faxes sent over the PSTN.

The second type of voice over IP uses the same technology but is more reliable. As with Internet telephony a voice call – instead of taking up a whole analogue line – is *broken up into small packets* and sent over an Internet protocol network.

The difference is that the packets are sent not over the public Internet, but over a managed network – typically owned by a telecoms operator (telco).

The price advantage of voice over IP comes from the fact that many voice calls can be sent down a single line at the same time, whereas in conventional telephony, a voice call ties up a whole line. Mr Duke-Woolley says: "US operators like USA GlobalLink and RSL Com are offering up to 60 per cent discounts for voice over IP."

Robin Crowther: 'Cable & Wireless sees IP as a huge opportunity'

In the US, a long-distance call sent in the usual way costs the customer an average of 10 cents a minute as opposed to 8 cents for voice over IP. But how long will this price advantage last? Mr Duke-Woolley says: "Some 40 to 50 per cent of the expected take-up of voice over IP will take place in the next few years."

Over time, IP telephony will become less profitable as IP operators have to cut rates to provide a 30-50 per cent discount on falling PSTN rates. These will come down by two-thirds in Europe within five years, due to deregulation. "IP telephony represents a temporary arbitrage opportunity," says Mr Duke-Woolley. "The longer-term opportunity is to move into value-added services."

IP handles some of these *better than standard* telephony. Margaret Hopkins, principal consultant at UK-based Analysys and author of *Commercial Strategies for Internet Telephony*, says: "Web-enabled call centres could really take off, where a user clicks on a button on an Internet web site and is immediately connected to a customer service representative via IP."

Switching between multimedia applications can also be difficult using conventional circuit-switched services where a whole line is tied up. By contrast, switching to a sales chart on your PC from a videoconference and then switching back, is more straightforward using IP. "With an IP network, you can send as many packets as you want to send and use it for several different things at *once*," says Mr Duke-Woolley.

In the short term, IP will probably be used for voice conferencing and for e-mail and voicemail notification. Later it will offer full, unified messaging – access to all messages from a single source, followed by full multimedia communications.

At present, IP telephony is hardly being used on European corporate networks, according to Schema. But it predicts that by 2003, some 2m business sites in Europe will be using it. Mr Duke-Woolley says the multimedia possibilities will appeal to businesses as will the cost savings. "IP telephony offers substantial savings in *site-to-site traffic and leased line* costs," he says. "With voice over IP and compression software, voice traffic currently going down seven 2-megabit lines could go down one. That leaves an awful lot of room for data."

If anything, telcos and telecoms equipment companies sound even more enthusiastic about IP telephony than market analysts. All of the second-tier US carriers are offering it and, in *Europe*, Deutsche Telekom offers voice over IP. Telecoms equipment companies such as Ericsson, Nortel, Lucent and Nokia are also keen to stress their commitment to IP telephony.

Robin Crowther, manager IP services at Cable & Wireless' global markets division, says: "C&W sees IP as a huge opportunity. In November, we'll be launching a multiple quality IP-Voice-VPN service to corporates where they can choose to send certain categories of call over the IP network or over the PSTN or the virtual private network (VPN)."

"Or," adds Mr Crowther, "they can install a box that does least-cost routing for them. Corporates could, for example, put only internal calls over the IP network or, with intelligent networks, they could send voice over their data network when it wasn't busy."

"In the future," says Mr Crowther, "a standard desktop PC on a local-area network (Lan) could be used for everything – for voice and data and integrated voicemail, fax and e-mail. Integrated messaging will come with IP and there's already the capacity on a single line connected to a Lan to have integrated messaging.

"You could get a message on your screen saying 'Jo Bloggs is on the line, do you want to take the call?' But today it will only be the avant garde among corporates who seek to implement it. Eventually, a third of corporate international traffic will travel over IP networks."

Mr Duke-Woolley says: "Telcos are interested in IP telephony because it threatens their existing business. They could lose leased-line business. And they could lose control of the corporate market because corporates could just plug into one big IP network – which might belong to an Internet service provider rather than a telco. Telcos also need to start offering IP services to get experience of the medium."

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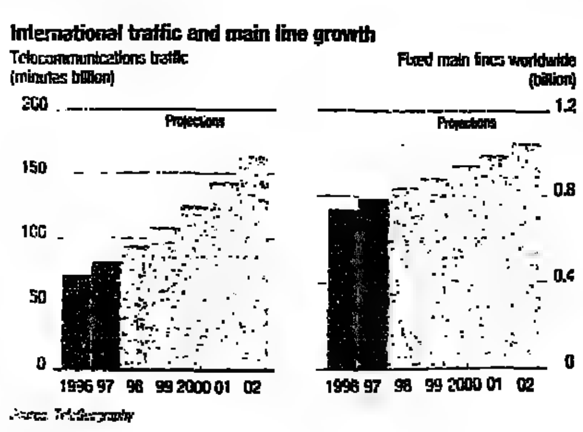
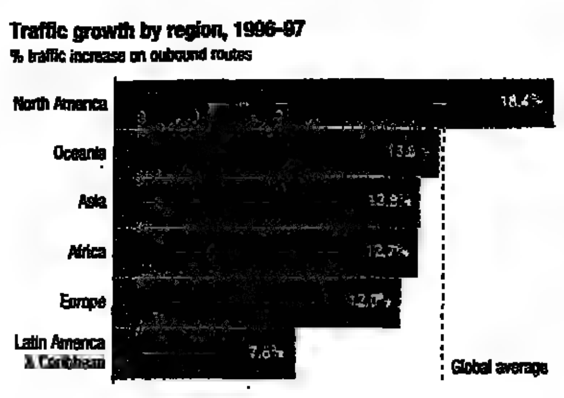
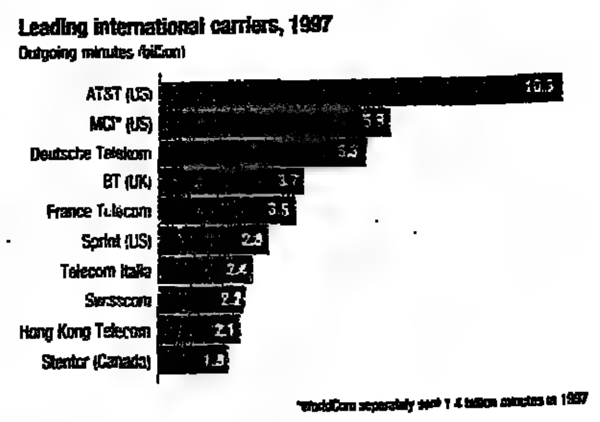
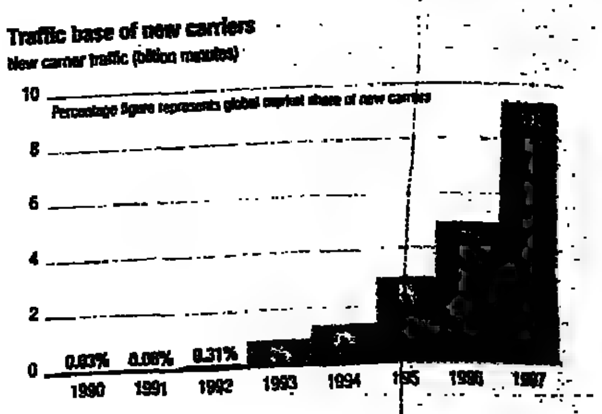



**PRICING STRATEGIES** by John Williamson

# European competition has failed to deliver US prices

Although charges in Europe have fallen, the sheer number of suppliers makes choice difficult. And some calls still cost 10 times as much as in the US

Michael Denmead of Analysys: 'Those that have benefited most from discounts are the telcos' biggest customers'

One demonstrable effect of telecommunications liberalisation is that competition and choice bring lower prices for customers.

But prices have not declined uniformly across the world, a circumstance attributable to the differing development stages and intensity of competition in particular markets.

Thus, according to *Smart Negotiating For Telecoms Bargains*, a new report from the Compass consultancy, European deregulation, privatisation and operator alliances in the sector have yet to deliver the same benefits associated with competition in the US.

Among other things, Compass claims that the indicative cost per minute long distance call rates in Europe *are still more than 10 times* the cost of equivalent calls in the US.

Nevertheless, Analysys, the UK-based consultancy, says competition inside Europe is bringing significant price benefits to telecoms users.

In its *Cutting the Cost* study, Analysys calculates that over the 13 years since January 1985, the average annual cost per line of a 50-line business customer in an early liberalising market such as Sweden has fallen from about Ecu3,975 to Ecu2,400. Over the same period, the average annual cost per residential line in the UK is estimated to have declined from about Ecu443 to Ecu261.

That is the good news. The bad news is that choice can make it extremely difficult for users to objectively evaluate different suppliers' tariff packages. There are two main elements to this.

One is the sheer number of alternatives available in the highly liberalised telecoms markets. "The number of new operators has increased – each with their own tariffing packages, thereby adding further options for the customer – and the larger established operators have added more packages, in order to retain customer loyalty," says Harry Soomal, core services product manager at UK operator Energis.

According to Margrit Sessions, managing director of the Phillips Tarifica consultancy, at one stage in the continuing carrier wars in the US, you could be forgiven for concluding that there was a different tariff for each customer. While not expected to reach this pitch in Europe, tariff diversity in some parts of the region already presents users with some serious headaches.

In the UK, for example, TMA Ventures, the commercial arm of the Telecommunications Managers Association (TMA), says that there are more than 200 licensed telecoms operators and that it is nearly impossible to keep track of up-to-the-minute tariff information. So much so that the company has recently introduced "Toll", believed to be the world's first on-line tariff comparison service listing an initial 8,000 individual tariffs.

The second complication is that service providers do not always present tariff and discount information in a way that makes it easy to compare different packages.

"A lot of the newer operators are offering virtual private network-type bundled tariffs, which means they're not publishing tariffs. It's exactly the same as if you were buying a fleet of cars – if you buy one there's one price, if you buy 500 that's a matter for negotiation," says Arthur Oppenheimer, a regulatory adviser with the TMA.

Complexity can be a function of some users' requirements. "If you want to tailor a tariff to your needs, by definition you're going for a fairly complex tariff," reasons Mr Oppenheimer.

Paul Whittle, head of pricing at cable operator Telewest Communications, says: "Large business users sending millions of minutes-worth of plain old telephone calls every day are likely to expect pricing schemes that reflect their heavy usage and will have many choices of carrier available to them.

"At the other end of the scale, the residential customer will have less choice and will simply want to know that they'll be better off using one operator's service in favour of another."

However, there is more than a suspicion in the industry that some operators in the past have not discouraged tariff complexity and may have benefited from the customer's inability to make objective comparisons between different offers.

"In a way that's what some of the operators want," says Mr Oppenheimer. Why? Because of customer retention – or at least the retention of profitable customers.

In this context Ms Sessions points out that it can cost 10 times more to acquire a new customer than it does to retain an existing one.

Not all customers have equal ability when it comes to navigating the tariff labyrinth. Bigger business enterprises have specialist staff dedicated to this task, and access to technologies such as least-cost routing.

For big business, cost is only one of the components that influences the choice of service provider. Also high on a check list of vendor qualities will be service levels, sustainability, reliability and credibility.

Michael Denmead, senior consultant with Analysys, says: "Quality beats price every time when things go wrong." And it is the customers with muscle that get the best tariff discounts anyway. "It definitely is the case that those that have benefited most from discounts are the telcos' biggest customers," says Mr Denmead.

Having said that, there is some evidence that tariff complexity is producing confused customers, and that confusion in turn increases the likelihood that customers will more readily defect to another service provider.

This is an eventuality not wasted on all operators. "They're worried about it," says Mr Denmead. "In their advertisements, they're now starting to say: 'We'll make sure you have the cheapest.' There's a move towards reassuring their customers that the complexity of tariffs isn't simply the operators trying to get more money out of them."

Mr Soomal backs this up: "Operators are customer driven. We're listening to our customers and tailoring packages to suit customers' call patterns."

There may be more at work here than the desire of service providers to be perceived of as fair traders. The advent of the Internet, albeit requiring further improvements in quality and availability for voice communication, is undermining the pricing model of the traditional telcos and allowing new service providers into the telecoms business.

Deregulation is also boosting the number of operators on the global playing field. According to Ms Carly Fiorina, president of Lucent Technologies' Global Service Provider business, the period 1998 to 2012 will see local telecoms services deregulated in a further 52 countries, long distance in 49, data services in nearly 60, and mobile services in 55.

Ben Verwaayen, executive vice-president of Lucent, reckons there will be 1,000 new carriers worldwide jousting for business as early as the year 2000. All this means intensifying pressure on extant service providers to keep extant customers satisfied.

Meantime, technology is about to make it easier for confused and dissatisfied customers to actually jump ship. Ms Sessions sets some store by number portability, reasoning that it will remove a big barrier to subscribers swapping operators and service providers in both mobile and fixed-line networks.

Mr Oppenheimer believes that the introduction of carrier pre-selection – which enables customers to choose a service provider without dialling a special code for each call – could stir things up further.

One industry view is that operators and service providers can meet these various challenges to the retention of their customers by offering simpler-to-understand but possibly more expensive tariff packages. But Mr Denmead disagrees: "I think people want both – discounts and less complexity."

**MARKETING** by George Cole

# Operators are getting to know all about you

The volume of information available to operators is enormous. By using such techniques as data mining they can build an accurate picture of their customers

*Olivier Suard*: 'Telecoms companies used to spend a lot of time analysing their costs. Now they're analysing their customers'

If information is power, then telecoms operators are in a uniquely powerful position when it comes to understanding their customers. The sheer volume of data generated by telecoms users enables operators to create highly sophisticated customer segments and profiles – some of which may even go down to an individual level.

Call volumes, buying patterns, payment histories, household details, lifestyle *indicators, plus the time and* destination of all calls, are just some of the types of data that can be collected by a telecoms operator. Sophisticated techniques, such as data mining, can be used to *analyse data and create user* profiles.

Telecoms companies say that the data allows them to offer a better service, new products and even lower tariffs, while at the same time, *strengthening their customer* relationship. But is it really a win-win situation for all, or should customers be concerned about the amount of personal data their telecoms operator has – and how it is used?

Telecoms operators argue that they have always collected data for processes such as billing, and add that market segmentation is not new; customers have long been divided into business and residential users.

But as Olivier Suard, product consultant at US company Kenan Systems, puts it: "In the past, telecoms companies spent a lot of time analysing their costs. Now they're analysing their customers."

Kenan Systems produces billing and customer care software including *Strategist* which even allows telecoms operators to design marketing campaigns by targeting specific user groups.

Today's data collection and analysis systems are sophisticated, but further developments are under way. The buzz-words used to describe the latest technique are 'needs-based segmentation'. This involves grouping customers in terms of what they need rather than what they do. "We're going to see data increasingly being used to predict customer behaviour practices," says Graeme Oxby, director of marketing at Cable and Wireless Global Mobile.

Customer data can be put to many uses. A *report by *the UK telecoms consultancy* company Chorleywood Consulting includes sales and marketing, customer acquisition, customer care and billing, customer retention (reducing churn), product and *tariff development*, and fraud detection.

Bruce Gibson, managing director of Chorleywood Consulting, says: "Telcos are increasingly targeting specific industry and interest *groups in their product* development and marketing. Cellular service providers, who are unencumbered by universal service obligations, are at the forefront of this development. They are very selective about the customers they target and in many cases, cherry-pick the most profitable."

Mary Kirby, head of research and analysis at UK mobile network operator Cellnet, says: "Data helps us understand our customers and allows us to design products that suit their needs." Cellnet has introduced First, a service which analyses customer call and billing information and uses it to provide the tariff that best suits the customer's call pattern.

Neil Montifiore, chief executive officer of M1, one of Singapore's fastest-growing mobile phone networks, says: "Our approach to marketing is fairly standard: you need to understand the market and that means using an effective system that enables you to group customers by their needs."

Some telecoms operators, such as Cellnet and British *Telecommunications*, analyse customer data at an individual level, but others do not.

Mr Suard believes that aggregated information can be more valuable to an operator: "It's useful to know that, say, most mobile users under the age of 25 like using voice mail. But I'm not sure that you need to know who Fred Bloggs is calling, especially when you consider the cost of getting this type of information," he says.

Telecoms operators say that customers should not be worried about how their personal data is used. BT, for example, says the market is already highly regulated, adding that in addition to the company's own code of practice, there is an operating licence and data protection legislation to consider. But in many countries, governments are tightening regulations.

The US Telecommunications Act of 1996 introduced the concept of Customer Proprietary Network Information (CPNI). The Act allows telecoms operators to use CPNI data for marketing products that are related to services the customer has signed up for (such as local services), but permission is required if the operator wants to use CPNI for marketing new services.

In February this year, the Federal Communications Commission (FCC) stated that custome must grant express permision by written, oral o electronic means. A ne European Telecoms Dat Protection Directive will ge European consumers sinlar protection.

Eric Woods, snior consultant at Ovum, a K information and telecns analyst group, says: "Da mining is nothing to worr about at the moment. It's st part of the armoury of chniques used to profile ustomers. However, custome can be allienenated if the chnology is mis-used."

Craig Smith, unding partner of the UK ustomer relationship mangement software house Hatin Blue, says people do not nd others having their prsonal data, providing it is sed in a way that helps the: "But they object if it's see as an imposition or simply marketing ploy."

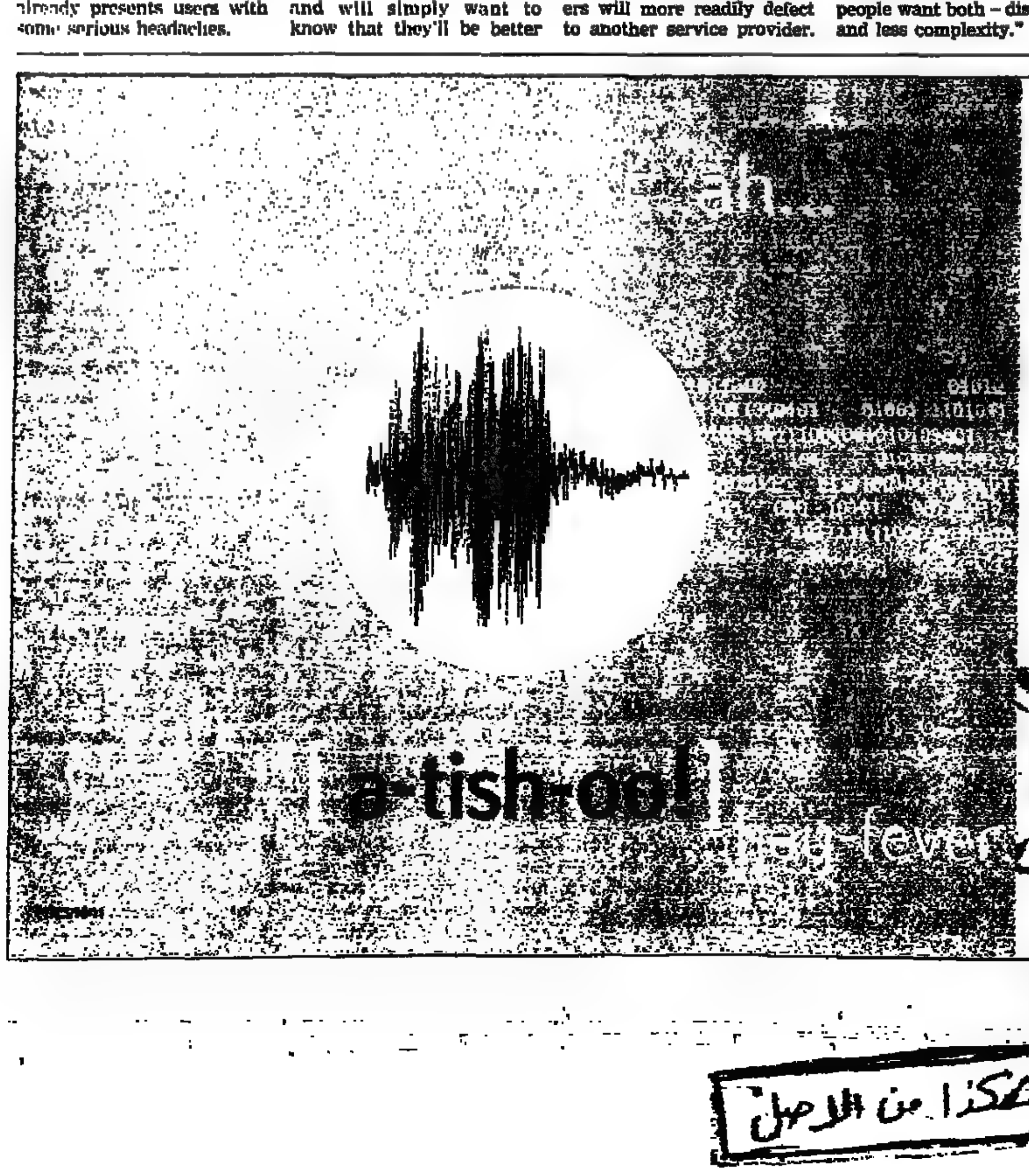
Mr Montifiore ade: "I don't think customers need to be worried when dta is used internally. It's when data is sold between companies that it starts worrying me."

Mr Gibson thinks that regulation tnds to favour the custome: "In regulated countries I don't believe that the consumer has too much to worry about, any more than in elation to other mass maket service suppliers. But elcos do need to ensure tht they conform to the relevat regulations."

**The Manual of Researching Your Custmer Base*, £325 ex VAT. Choleywood Consulting +44 14 785775.

Mary Kirby of Cellnet: 'Data helps us understand our customers and allows us to design products that suit their needs'

Eric Woods of Ovum: 'Data mining is nothing to woy about... It's just part of the armoury of techniques used to profi customers'

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**MOBILE INNOVATIONS** by Philip Manchester

# Bewildering choice for business users

## Suppliers are bending over backwards to find applications for mobile technology in both the business and domestic markets

If the forecasts are true, the whole world is going mobile.

Market researcher IDC estimates that the worldwide subscriber population for cell phones will reach 384m by 2001, and this does not include pagers or other specialised "wireless" devices.

The falling cost of equipment is, of course, one reason for the growth. Indeed, IDC notes that the growth in subscribers does not mean increased equipment revenues. Prices are expected to keep falling.

At the same time, the infrastructure to support mobile communications is well established, although there are significant differences between the European and US markets.

Unusually, European suppliers agreed early on a pan-European standard, Global System for Mobile (GSM), and have concentrated on developing products and services.

In contrast, the US has evolved a clutch of differing standards, some technically superior to GSM. The result is a fragmented and smaller market.

Price Waterhouse notes in its 1998 Technology Forecast that, by 1996, Europe had 16m digital wireless phones compared with only 1.5m in the US.

The US is catching up fast, however, and new technologies such as Low Earth Orbit Satellites (Leos) promise to stimulate further growth of mobile communications. The first pilot Leos services are scheduled to begin operation in 1999.

Despite the greater maturity of the European market, there are question marks over how effectively mobile telecoms are being harnessed by business.

A BT-sponsored study published in September by researchers Spikes Cavell found, for example, that UK businesses' approach to mobile communications was "a mish-mash of *ad hoc* purchases and ill-trained staff, with barely one in five companies able to even talk about a business strategy behind the technology."

Part of the problem is that the range of mobile devices and services is growing so rapidly.

Fixed and mobile communications are converging at the same time as analogue and digital services.

Innovative devices, more like computers than telephones, offer wider access to the network through the Internet.

Increasingly the way services are packaged is the key to growth in the mobile phone market. Suppliers are bending over backwards to find appealing applications for the mobile technology in both the business and domestic markets.

Applications range from the highly-specialised, such as the RAM Mobile "portable data terminal" used by mounted police in the UK to access the police national computer, to more generic devices such as Nokia's mobile Internet browser.

The key to their success is the services they can access. But there is a dilemma – delivering more services means greater complexity and suppliers are wrestling with ways to improve access and make their new services easier to understand and sell.

The result is an increasing number of mobile devices, from e-mail pagers to what amounts to nothing less than a mobile computer.

Last year, for example, Nortel and Nokia both launched mobile "browser phones" to give subscribers access to Internet-based services.

Some services – traffic and weather reports, for example – are especially appropriate for mobile subscribers, and the Internet browser is a simple and familiar way to access the information.

Electronic mail is another obvious application.

Nortel's device even included features to use software written in the portable Java programming language developed by Sun Microsystems.

Java enables software to be downloaded over the telecoms network to carry out specific tasks, in this case to create a customised interface to access a service on the Internet.

Other suppliers are less ambitious.

Tele Danmark, the Danish telecoms supplier, is concentrating on simplifying services such as the combined fixed and mobile service in its recently-launched Duet product.

"Having a handset become an Internet browser is perhaps going a little far, but there is clearly a need for greater simplicity," says Timothy Cawley, president of Ameritech International and a vice-president at Tele Danmark.

"The choices are so often overwhelming and there are certain things that are really difficult to do. I think you have to go back to thinking like a customer and focus on what they are actually going to use.

"With Duet, we wanted to simplify the delivery of a combined wireless-wireline service."

Duet automatically switches calls between mobile and "fixed" numbers as well as providing additional services such as messaging. While the technology is impressive, Mr Cawley says that the real attractions of the service lie in making it simple to use and understand.

"You only have to worry about one phone number and one bill. We see it as especially appealing to residential and small business users," he says.

In the UK, ACC Telecom has also caught on to the appeal of offering a more simple billing regime. Its Mobile ACCess service gives customers a single bill for all fixed and mobile calls, together with a volume discount.

ACC is also working with Cellnet to offer other integrated fixed and mobile phone services.

It is clear that, in an increasingly competitive and deregulated international telecoms market, suppliers will need to rely more and more on service innovation to attract and retain customers.

Personalised mobile phone services, whether aimed at domestic or business users, are certain to be important as a source of growth and profit.

The trick for suppliers will be in packaging services so they appeal to customers.

Innovation is the name of the game: one of several Nokia concepts for Third-Generation mobile handsets

CASE STUDY
**BARCLAYS MORTGAGES**

# Combining the best of two technologies

A growing number of transactions are taking place via call centres and the Internet. Little wonder that some companies are now looking at combining the two technologies with Internet-linked call centres.

One of the pioneers in this sector is UK company Barclays Mortgages which has been operating for 12 years as part of the Barclays Bank group.

Several years ago, Barclays Mortgages made a tentative step into the direct sales market, with several people handling telephone inquiries. Since then, business has expanded rapidly and Barclays Mortgages is now the sixth-largest mortgage lender in the UK, with more than 350,000 customers.

The business is based in a standalone mortgage processing centre in Leeds where more than 200 people handle telephone inquiries. The call centre service complements the service offered by the bank's 2,000 outlets, with both offering the same range of products.

Barclays Bank has had a web site since 1995, and it was while the site was being re-designed earlier this year that the company looked at linking its web pages to a call-me function.

Paul Bold, senior project manager of Barclays' On-line Banking division, says the move is part of a five-point plan to develop the company's Internet presence.

The first phase was about creating customer awareness – the so-called brochure site. Next came an interactive element with visitors to the web site able to find automated teller machine (ATM) locations. The site is currently at the third phase, with visitors able to access some transactional services, including loans and travel insurance. There is also an Internet banking service.

This phase will be followed by the relational phase: "We'd like to identify customers as individuals when they come to the site and service them with relevant information," says Mr Bold.

The final phase will involve offering a service centre that can be accessed via a PC, interactive television or kiosk. Here, visitors will be able to customise and personalise the information they receive from the site.

Barclays Mortgages is using a web phone technology developed by UK company Answering Communications. The system, RealCall, uses on-screen icons which the visitor can click with a computer mouse. This opens up a dialogue box which is used for entering the customer's name and telephone number. There is the option of receiving a call from a member of the Barclays Mortgages sales team within five minutes of sending the message, or in about 20 minutes.

The customer's electronic message is sent to a RealCall server where it is converted into a voice message. From here, the message goes to the Barclays Mortgages centre, where it is diverted to a special operator. The operator passes the message on to one of the mortgages sales team, who telephones the caller at the relevant time.

The advantage of this system is that the web site visitor does not have to log off before making the initial call, and a returned phone call is more personal than an e-mail message. "We need to focus on the customer's needs and requirements, and RealCall is the first step towards this," says Mr Bold.

The main snag with the present system is that the web site visitor has to log off first in order to free the telephone line for the voice call. But this situation will change as more homes become two-line households.

Videoconferencing across the Internet is another possibility, says Mr Bold. Barclays Bank has tested an interactive kiosk system which links customers to its Barclays Stockbrokers site in Glasgow. The video link allows customer and stockbroker to see each other, and customers can be given help in form-filling and other parts of the transaction.

Although videoconferencing over the Internet is technically possible, the results are often poor and unreliable. But Mr Bold believes that this service, along with Internet voice telephony, will arrive sooner rather than later. When this happens, visitors to the Barclays site will be able to talk directly to a member of the sales team while remaining online. Both parties will also be able to view the same screen content, and users could complete an electronic application form on the spot.

Chris Stokes, senior technical consultant at Barclays E-Business Solutions Consulting, adds that customer information could be stored on an intranet (an internal network which uses Internet technology). A customer reference number would allow information to be pulled off the intranet and used by the call centre agent for handling a call:

"There's the potential for a call centre to make more than just a cold call," he says.

But all this is for the future.

So far, the RealCall facility is attracting a handful of callers to Barclays Mortgages each week, a small percentage of the thousands of phonecalls it handles in the same period. But Mr Bold says the results are encouraging, adding that the RealCall feature has had no promotion. It is also worth remembering that the first ATMs initially attracted small numbers of users.

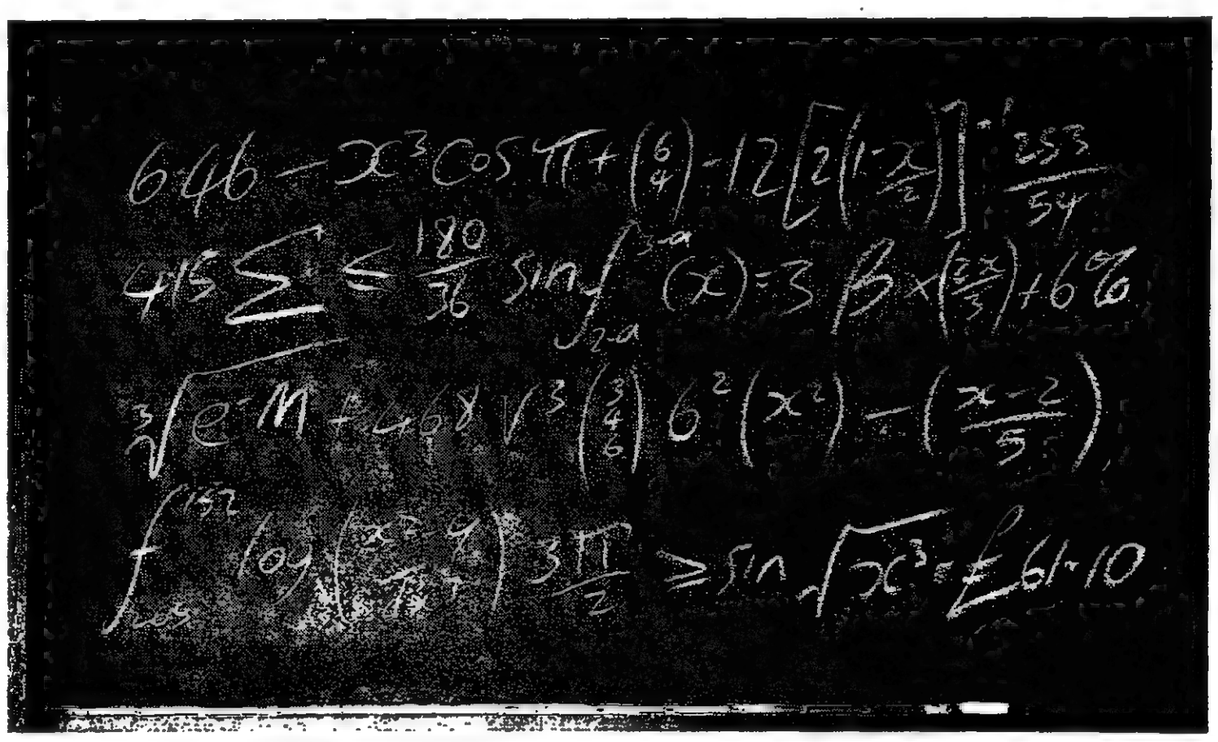
Features such as RealCall can be cost-effective, because they allow companies to make the most of their resources, but Internet-linked call centres are not a cheap option.

While the underlying technology of linking call centres to the Internet is not difficult or expensive, there are extra costs to consider. "There is a reasonable cost involved because you need to provide the support infrastructure behind it," says Mr Bold.

Barclays Mortgages is at http://www.barclays.co.uk.

**George Cole**

www.cellnet.co.uk/business



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**VALUE-ADDED SERVICES FOR FIXED NETWORKS** by Priscilla Awde

# Established telcos expand their product portfolios

Competition from new entrants is encouraging older operators to diversify into software applications

Facing competition from nimble new entrants – which have no legacy systems and are subject to fewer regulations – incumbent telcos are shedding monopoly attitudes and introducing high margin value-added services.

Because selling voice minutes alone is not a sustainable long-term strategy, incumbents are expanding product portfolios to include managed services, consultancy, plus data- and Web-based services. They are diversifying to maintain revennes and keep corporate customers.

Newer telcos, with state-of-the-art technologies, are very quick to market and are targeting profitable niche markets.

"Another reason to diversify is that, unlike core communications services, many value added services, aren't regulated and are more profitable," says Patrick Downes, business consultant at Syntegra. "By moving into the software side, telcos are better able to make money."

Big telcos can exploit both their reputation for reliability and their existing relationships with corporate decision makers.

"Telcos are focusing on delivering more of what customers want and becoming project managers for total communication needs, including provisioning and managing call centres," says Mike Grant, principal consultant at Analysys. "They want to offer total solutions, facilities management services and systems integration. Whoever packages systems and makes them work easily will do well. It's all about helping companies use communications as a core function to reduce costs and increase efficiency."

Kate Hewett, consultant at Ovum agrees: "Competition in the business market is based on services provision. Corporations concentrating on core activities are looking to outsource telecoms. They want managed data networks, intranets, extranets, unified messaging services and network-based call centres."

The challenge is to understand what customers want and translate that into products, services and capabilities rather than just developing and selling products.

"Talking to customers is important," says David Sexton, chief executive, C&W Global Markets.

"Providing access, management and security is a natural extension of what we have always done. We offer customers a highly focused and consistent approach by providing end-to-end services worldwide under the same brand and by managing accounts through one organisation."

Telcos are moving into data with virtual private data networks (VPDN), over which they can guarantee consistent service levels.

Offering frame relay and Asynchronous Transfer Mode (ATM) services, Energis of the UK targets business.

"The serious growth is in data, not telephony networks, says Nick Scallan, Energis project manager. "Next year, we are introducing an IP dial-up platform to provide analogue, ISDN, frame relay and ATM on one seamless network to cater for remote workers, branch offices and corporate headquarters.

"We offer ISPs virtual points of presence so they need not install equipment throughout Britain but can offer national services from one location."

Bigger product portfolios mean billing could become an important differentiator between telcos – corporations demand one, detailed bill for all services.

"Needing to control and monitor the costs and types of calls made, corporations want bills which neatly summarise significant levels of information," says Sean Gardner, sales-marketing director at Martin Dawes. "Using a single billing platform, we provide one bill to include data, fixed and mobile services."

Adding public switches with Intelligent Networking (IN), capability to its Pan-European network, Esprit's services include sophisticated billing (available in euros), international toll-free numbers and personal numbering services.

"Because billing is critical to pan-European business, we have invested in the best systems," says Nick Pellew of Esprit Telecom. "Companies can order something in Spain, bill it in Britain and implement it in France."

People want management to move further back into networks so organisations do not have to install hardware to exploit functionality. When it is fully implemented, IN will enable a series of applications including number translation services, PIN-controlled access and call-centre routing.

Dave Thorley, marketing manager at Nortel Intelligent Networks, says: "Sitting on computers behind the switch, IN promotes fixed-mobile convergence so both services can be billed and managed from one system. Personal numbering allows workers to be reached anywhere on one number. "Residing in the network, IN promotes virtual call centres by routeing traffic to people regardless of their location. Using IN, telcos could manage hundreds of call centres."

Business people are asking telcos for one phone with one number for voice and one address for data services which works worldwide.

WorldCom, with an ISP background, believes that access, not bandwidth, will be the problem of the future. It offers "local-to-global-to-local" end-to-end services from one carrier over a network spanning 114 countries.

Cormac Whelan, European marketing director for MCI WorldCom, says: "Guaranteeing consistent service quality, we create proper service-level agreements signed in blood. Customers get managed security across applications ranging from remote access, hosting web servers and handling multi-protocol traffic."

Lance Spencer of CWC's corporate markets section, which provides a total managed service from switch to handset, believes that customers do not want to deal with nuts and bolts but want a total service from one supplier. "Customers specify what they want and where, leaving it to the telco to do it. They want huge pipes for multimedia applications. Creating extranets and providing the security between them is another growth area. We put managed services as added value on top of our own fibre."

Telcos are being urged into a consultative role – helping customers create communications systems to solve new business issues – and are leveraging their own experiences to design new products.

Starting with an intranet of 60,000 global users, BT designed a knowledge management system cutting lead times to market and estimates it saved more than £700m in two years.

"The challenge is to deliver the right information to the right person at the right time so they can do their job fast and without searching pages of data," explains Ayes Amewudah, head of marketing at BT's Corporate Clients Division.

"Using technology in the right way brings competitive advantage. There is a huge force from customers asking us to suggest ways technology can help. Although they may understand technologies and what they do, customers may not know all the applications or how they produce business benefit. Recognising that no one can do it alone, BT acts as a systems integrator."

Compared to IT providers, telcos often inspire a "warm and fuzzy" feeling in corporations mainly because: "Data networks rarely match the security and reliability built into telcos' fixed networks – both essential for e-commerce and for corporations outsourcing all their communications to carriers with international links," says Russell Garner, marketing manager of fixed operations at Nokia.

David Sexton: 'Providing access, management and security is a natural extension of what we have always done'

CASE STUDY
**BP CHEMICALS**

# Shared database is plain sailing for shipping team

Shipbrokers and BP offices now have access to the same online information. BP's CharterRing extranet has numerous benefits and has sowed the seed for big opportunities

A single team of four used to manage all BP Chemicals' dealings with shipbrokers and shipping owners.

But that all changed when the BP subsidiary was restructured in September, 1996, and the four staff found themselves in separate business units. The company felt it would be better served by this arrangement, yet it wanted to retain the consistency of communication.

Previously the team had communicated BP Chemicals' forward plans for transporting petroleum or natural gas byproducts to five shipbrokers, who booked space on the vessels of a dozen owners. The team then collected information about the ships' progress and communicated it to around 20 BP locations.

This was a complex task because BP Chemicals produces around 30 types of petroleum and natural gas byproduct. Some can be transported direct to customers but others must go to intermediate locations first.

For example, when a ship left the UK loaded with acetyls, used in food and pharmaceuticals and bound for a storage site in Turkey, the local office was interested in its progress.

So the shipping team acted as collator and disseminator, receiving and sending information by a combination of fax, electronic mail and telephone. Data received were typed into spreadsheets and updated daily.

After BP Chemicals restructured the former shipping team had better information about what forward capacity the business units needed, but they wanted a consistent way of sharing and disseminating information.

So the team members considered hooking up all the different parties by e-mail. Colin Frost, then electronic commerce manager for acetyls and nitriles, suggested using a shared database, protected by passwords, and connected via the Internet.

Selected suppliers would be able to obtain access to it, forming an extranet – a closed-user group intranet that is extended to suppliers.

BP Chemicals backed the idea, and now shipbrokers and BP offices have access to the same online information. The system has many advantages, not least that the task of documenting ships' progress is now carried out by the shipbrokers. Shipowners are also starting to use the system.

Another benefit is that the system provides information in real time. This can be a big help if a location needs to charter a ship at short notice. For example, BP's Istanbul office recently had to locate a ship for an unplanned shipment to a customer in Turkey.

Using the extranet, the office was able to find a ship with spare capacity that was not far away and get the goods to the customer more quickly.

Moreover, Istanbul and other offices are able to provide better customer service when a customer rings to find out when their shipment will arrive. All they do is look at the latest information on the extranet.

Previously they had to call London, which might have taken a while because of the different time zones involved. "Today, geography is not a problem," says Mark Sykes, international distribution manager at BP Chemicals.

The extranet is accessible from locations as far apart as Japan, Singapore, Milan, London, Stockholm and Cleveland, Ohio.

BP's CharterRing extranet did not take long to build, with an outside company, Digital People, contracted to do much of the development.

"Internally, we had just three or four meetings, followed by three or four reviews of the prototype," says Tim Whitmore, supply and operations executive, acetyls, and a former member of the central shipping team.

"The system has helped us forge stronger links with suppliers and provide a quicker response to customers."

It also earned BP Chemicals a special commendation in the 1997 FT Business Web Site of the Year awards for its innovative application of internet technology.

"We had a problem and we solved it," says Mr Sykes. "Now we have the potential to expand [the system] to other users, such as product surveyors, who can benefit from the information.

Adds Mr Whitmore: "The next step is to provide a tool that can help us analyse the information archived on the extranet's Microsoft Access database."

"CharterRing sowed the seed for big opportunities," says Mr Frost, now an IT consultant at PricewaterhouseCoopers. "It is something BP Chemicals can hang other applications on to. The potential is phenomenal."

**Jola Shillingford**

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**PAGING** by Joia Shillingford

# European operators study two-way paging solutions

## New miniaturised terminals are on the way while pan-European roaming and value-added services are set to take off

The next big development in European paging is two-way paging – which is already available in the US with services such as BellSouth Interactive Paging and PageNet. Value-added services are also set to grow, with a new wave of terminals promising to miniaturise the mobile office.

In the US, a two-way paging service from BellSouth lets you respond to Internet electronic mail, one and two-way pagers, fax machines or phones. It costs $249 for the RIM Inter@ctive pager and $29.95 a month. Messages can be up to 25,000 characters long and the system checks that messages have arrived.

Pagers can even be used on the battlefield. US forces in the Gulf, specifically in Kuwait, used Ermes pagers on a group call system as an early warning device for Scud missiles, during a conflict earlier this year, according to the Ermes MoU [for Memorandum of Understanding] Association.

Most two-way pagers look just like ordinary pagers, but a new kind of pager has also been designed for the two-way market.

Gloria Banstead, marketing manager of UK-based PageOne Communications, says: "There are tiny, tiny personal computers made by Motorola that probably measure 100 centimetres by 90. They are pagers as well as having a Qwerty keyboard."

However, at about $1,000 each, some delegates at a recent paging conference in Athens felt that PageWriter was too expensive for the European market.

One delegate said: "In Europe, we have short message service (a paging-like service for digital mobiles) and two-way voice on mobile phones. So people won't pay a lot for paging. It has to retain its low-cost ethos."

In the US, though, PageWriter can be used on the PageNet network to receive e-mails in a taxi, send an e-mail in the middle of a meeting or access pages, news or market updates.

Meanwhile back in Europe, two-way paging has yet to begin. PageOne Communications, the second-largest paging operator in the UK, says it "plans to use Flex as the platform for two-way paging when the Department of Trade and Industry licenses more paging spectrum in 12 to 18 months."

Karl Meylan, communications director of the Ermes MoU Association, says: "There are no two-way services in Europe. But we're very close. A number of operators are looking at a number of solutions."

An alternative to Flex is to use the European Radio Messaging System (Ermes) standard for two-way paging. Mr Meylan says: "The European Telecommunications Standards Institute (Etsi) is writing a standard for two-way, which should be available commercially by the end of this year.

"The advantage of Ermes is that it is very easy to install a one-way Ermes network and upgrade it to two-way. Ermes two-way could help Ermes take off."

A third organisation, Nexus, based in Israel, has developed a different technical solution for two-way paging.

Paging in Europe has grown by 50 per cent according to Mr Meylan. Most of the growth has been in the Caller Pays Paging (CPP) market. In CPP paging, the user pays a one-off charge for a pager – usually £30-£50 – and after that it is free. Callers pay about 35-55 pence to send a text message, depending on the time of day.

However, there is a high level of churn in this market. "People tend to buy a pager and use it for six months to a year, says Mr Meylan. So the real rate of growth is about 25 per cent.

In the CPP market, Flex has proved popular. PageOne, which says it is the second-largest UK operator, already has it and BT is adopting it. In continental Europe, Ermes is used for CPP paging by operators such as TamTam of France.

The Ermes standard was originally defined by Etsi and allows pan-European roaming. The promise of Ermes is that a pager user could be contactable anywhere in Europe, or in any other country that has adopted it.

So far there are 43 members of the Ermes MoU, 17 of them with commercial Ermes networks.

Unfortunately, roaming has been slow to take off. Some Scandinavian networks are interconnected as are the Swiss and Swedish Ermes networks. By the end of the year, five to eight of the European Ermes networks should also be connected. And early next year a number of Middle Eastern networks will link up.

Hutchison Telecom also offers some non-Ermes roaming between different European countries.

Super-fast Flex is posing a serious challenge to Ermes. Mr Meylan says it is a competitor as a paging protocol, but not in terms of roaming because it does not have a common set of frequencies across Europe. If the industry decides roaming is important, then Flex is less of a threat. Chris Bullick, marketing director at Motorola's European paging subscriber division, believes its Flex standard will be used for roaming. He says: "Now that so many paging operators in Europe are planning to adopt Flex [there should be 12 services in 11 European countries by the end of the year], the foundations are in place to offer cross-border roaming. Operators in Europe could quickly commence roaming with Flex if harmonised spectrum is made available to them."

In the UK, according to Ms Banstead, the radio authority has not issued any Ermes licences and is reviewing the situation because Flex has proved so popular.

One way to achieve true global roaming, however, is to use a Motorola pager designed for the new Iridium global mobile network.

As the Iridium pager shows, manufacturers and service providers are continuing to innovate. NEC has developed a pager – available next year for £75-£85 – which can display graphics sent from a PC using software downloaded from NEC's Web site.

This could be used to send small maps, birthday greetings or even hearts for St Valentine's Day. For the teenage market, Ericsson has brought out two new Ermes pagers. One, the PTE 118, can display messages of up to 10,000 characters.

Paging operators believe that value-added services for paging will be extended rapidly. As well as e-mail delivery, customers could have folders for different types of information service, says Ms Banstead. For example, one for weather and one for stocks and shares.

"Paging still has benefits over mobile phones," says Mr Meylan. "It is cheaper, batteries can last up to six months and a paging signal can penetrate some parts of a building that mobiles can't reach because it works on a lower frequency."

Ericsson says the big advantage of paging is: "It keeps you in touch without disturbing you."

Fashion accessory: Vodafone Paging's new Zapi 'zero zero' range

In the US, Motorola's tiny PageWriter can send and receive e-mails

**NEW PRODUCTS** compiled by Philip Sanders

# Intelligent cable for movers and shakers

A simple, low-cost intelligent GSM cable that removes the need for a PC data card has been launched by Motorola Communicate, the specialist data division of Motorola.

The SmartCELLect soft modem has been developed for mobile computer users who want to send and receive faxes, e-mails and surf the web when on the move. The modem is compatible with a wide range of Motorola's digital cellular handsets and operates under Windows 95, Windows 98 and NT 4.0. It incorporates Motorola's compression technology to achieve throughput rates of up to 56,000bps on GSM digital cellular networks.

Motorola's SmartCELLect soft modem has been developed for mobile computer users

### HitchHiker can make standard mobiles smart

STNC's HitchHiker software – which turns a standard mobile phone into a smartphone that can access value-added services via the Internet – was selected as a Millennium Product by the Design Council this month.

The software provides mobile phone developers with a low-cost way of giving their subscribers access to information such as travel timetables, directory information, or the location of hotels, while on the move.

Millennium Products are chosen from all market sectors to highlight pioneering British products which are both innovative and creative. STNC is based in Bury St Edmunds, England.

### Easy-to-understand telephone tariffs

Motorola Telco launched a combined mobile and fixed phone service with savings of up to 45 per cent for businesses and 30 per cent for domestic users on national calls.

The company said UK businesses wanted easy-to-understand telephone tariffs, billing systems and service agreements. It is offering £20 worth of free fixed-line calls to new mobile customers who sign up for the new service before the end of the year.

### ISDN equipment targets soho business sector

German company Elmeg, manufacturer of ISDN telephone equipment, launched its product range of small ISDN PABXs and telephones in the UK. Over the past two years, Elmeg has sold more than 500,000 ISDN telephone systems in Europe under its own and OEM brand names.

The systems are being introduced in the UK by Surrey-based company NCL. The product range includes a C24 unit, with a retail price of less than £800 including VAT, aimed at the small office-home office (Soho) or small business market. Elmeg says the products are exceptionally easy to install and set up.

The range also includes an ISDN phone which can be used as a digital system phone or as an independent phone on an ISDN line.

### Fixed-mobile service aims to cut costs

Alternative telecoms service provider ACC Telecom launched a combined fixed-mobile service which aims to cut the cost of calls and simplify the billing process. Mobile ACCess allows customers to receive a single bill for all their mobile and fixed phone calls. The company, rated by Oftel as the UK's fourth-largest international business calls carrier, also plans to offer customers a single volume discount, enabling greater savings than those available from separate services.

ACC says the service is targeted at small to medium-sized enterprises, particularly those with travelling workforces which use mobile phones. It will enable those companies to save time in processing supplier invoices as well as cutting telecoms costs, by providing discount which takes into account total spend.

### Graphic pager can put you in the picture

NEC launched a new graphic pager, the Image Pro, which has the ability to receive graphic images. NEC said there was no other pager on the market in Europe which had this facility and that the pager was the first of its kind to be made available to consumers or the lower-end business market.

The company said that a leading UK operator had placed an order for the Image Pro, an alpha-numeric pager which runs on the Flex protocol.

NEC has developed software which will be available from the company's website and which runs on Windows. Users wishing to send a graphic image to the pager can use the programme to draw pictures, graphs, maps, and utilise clip art. The image can then be sent direct from the PC to the pager as a bitmap file and can be viewed on the Image Pro's LCD screen.

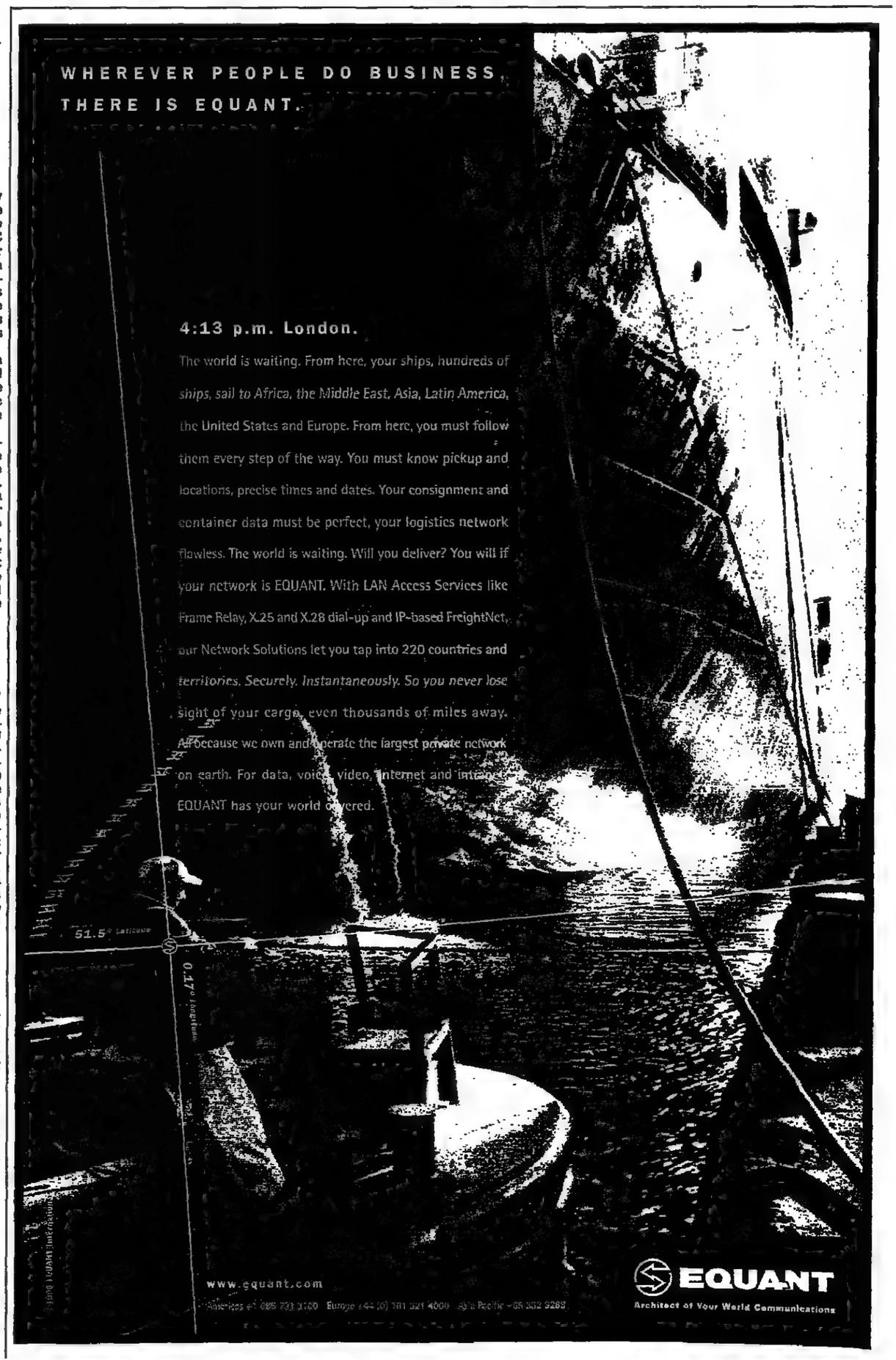
### Cellnet focuses on youth market

Cellnet launched its "U" service – a prepaid mobile phone brand aimed specifically at the youth market. U will build on Cellnet's existing prepaid package, Easylife, which attracted 100,000 customers in less than three months. The package offers no contract, no bills, no credit check and no subscription. Cellnet says that 16-24 -year-olds account for about 25 per cent of potential mobile phone customers in the UK. It says about 1m people in that age group already own a mobile phone; some 18 per cent of 16-24s.

### Agreement aims at growing ADSL market

Lucent Technologies and Tel Aviv-based Orckit Communications announced a sales and marketing agreement targeting the growing ADSL (Asymmetric Digital Subscriber Line) market in the EMEA (Europe, Middle East and Africa) region.

Lucent will offer Orckit's ADSL products to Lucent's EMEA customers requiring high-speed local access solutions. The companies say that Orckit's FastInternet ADSL system combined with Lucent's access and data networking equipment creates a "complete ADSL solution" that extends from the central office to a subscriber's home and provides the infrastructure to deliver high-speed Internet access and other broadband services.



**MARKET REPORT: ASIA** by Nick Ingelbrecht

# Economic ailments even depress blue-chip stocks

Is Asia still a tiger economy in telecoms? The current problems of the region's leading telecoms operators have as much to do with competition as they do with recession

*The financial crisis may not* have driven Asia's tiger economies to extinction, but *in terms of regional telecoms* stocks, the beast is certainly out for lunch.

*The devaluation of* regional currencies during the past 16 months and resultant *exchange losses* on foreign-denominated loans have wiped out large *swathes of investors'* equity among the newer carriers and delayed several initial *public offerings indefinitely.*

Now, the general economic slump has fed through to the *telecoms sector as a whole,* depressing the growth prospects for blue-chip telecoms stocks, including Hong Kong Telecommunications, Singapore Telecommunications and Asia Satellite Telecommunications Holdings.

"Though most incumbent telcos in the region generally continue to outperform their home markets, absolute gainers have been virtually non-existent," says Craig Irvine, regional telecoms analyst for Merrill Lynch in Hong Kong.

Officials at the Geneva-based International Telecommunications Union say they expect further slowing of demand for basic services in Asia this year. While the installed base of main lines across the region grew by 11.5 per cent last year, the actual number of new lines added was less than the previous year – the first such decline this decade.

However, the current problems of Asia's leading telecoms operators have as much to do with competition as they do with recession. Cable & Wireless-controlled Hongkong Telecom, for example, has been forced to accelerate cost-cutting measures as the government prepares to throw open Hong *Kong's international* telecoms market to competition next January.

*David Prince, Hongkong* Telecom finance director, says: "We have had recession layered on top of competition. No one is ever comfortable in this environment. You have to think ahead of both curves and change the way you do business. But we have articulated this, improving efficiency and investing in Internet and interactive TV services for growth."

*Singapore Telecom is similarly* facing a new competitive challenge from the *British Telecom/NTT-backed* StarHub consortium, which plans to begin offering a full range of alternative wireline services across the island from April 2000. Yet Singapore Telecom's attempts to bolster its regional competitiveness by cutting IDD (international direct dialling) tariffs by 20 per cent in real terms this year alone, have failed to reverse unprecedented declines in telecoms traffic.

"The industry as a whole in Asia is in a difficult time and I don't think there is any signs right now we have reached the bottom of the financial crisis [or that] the economic indicators are beginning to look up," says BG Lee Hsien Yang, Singapore Telecom president.

*Singapore Telecom shares* are regarded as expensive by many analysts and set to *remain so, given the lack of* alternative telecoms stocks available on the local market. Indeed, the sheer scarcity of regional telecoms stocks with compelling growth prospects has been reflected in the initial enthusiasm among investors for new listings, such as Japan's dominant cellular carrier, NTT Mobile Communications Network (DoCoMo), and Cable & Wireless Optus.

*In the current climate,* investors are continuing to favour incumbent operators *with strong cashflows* including Telstra, China Telecom (Hong Kong), Philippine Long Distance Telephone and South Korea's dominant cellular operator, SK Telecom.

The region's financial problems have provided an unexpected bonus for established operators, because they have prompted greater caution among government regulators against aggressive market liberalisation. In addition, new competitors have faced increased difficulty in attracting finance.

"The key drivers right now are the currency crisis, the confidence crisis and the credit crisis," said John Troy, investment adviser to the $157m TVG Asian Communications Fund in Hong Kong. "We do see growth, but equally attractive for private equity investors is the *consolidation phase which is* about to take place [in Asia]." *Analysts and inves*tors argue that consolidation will redress the over-abundance of competition in many Asian markets and put the telecoms sector back on *a sustainable course for* future growth.

There is certainly plenty of scope for mergers and acquisitions and new IMF-inspired bankruptcy regulations in Indonesia and Thailand may over time drive some technically insolvent carriers into liquidation.

Boston-based communications consultancy, the Yankee Group, estimates the region has at least 40 financially distressed cellular and wireline carriers up for sale or seeking a substantial injection of foreign equity.

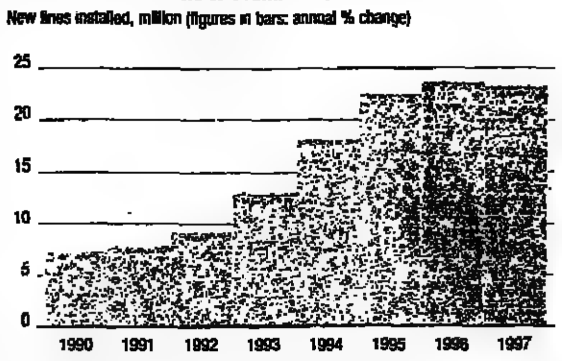
"Consolidation is about to happen among the worst affected operators, and Asia's listed carriers have a significant opportunity to take advantage of the situation. Hongkong Telecom has *HK$15bn* in cash, Singapore Telecom has S$4bn to spend, but both of them appear to *be sitting on their hands* until they can see the glimmer of economic recovery before they commit themselves," said Jessica Madoc-Jones the Yankee Group's head of Asia Pacific research.

The consultancy is advising carrier clients to make strategic investments now or "risk being left in the dust when it settles on the Asian financial crisis".

In the long run, people still have to make phone calls and the inevitable resurgence of the region's telecoms sector is regarded by many observers as merely a matter of timing.

Sung Sio Ma, chairman of *Bangkok-based Shinawatra* International and past chairman of Singapore Telecom *International, said: "This crisis* may be looked at as a blessing in disguise. It will be a new Asia after this crisis."

**Growth in Asia-Pacific telecommunications**
New lines installed, million (figures in bars: annual % change)




Source: International Telecommunications Union, Telecommunications Development Bureau

**COMPANY IN THE NEWS: FRANCE TELECOM** by David Owen in Paris

# All eyes on the Internet

France Telecom and IBM expect their software platform will lead to a new generation of relatively low-cost devices that will permit easier and faster access to the Internet

Michel Bon, France *Telecom's chairman,* has taken to calling his group "the Net company". You *might think "the Minitel* company" would be more appropriate. After all, about *15m people use Minitel in* France, compared with a prediction of 3.5m Internet *users by January 1, 1999.**

. But these days, the Internet features much larger *than the country's popular* but venerable 16-year-old on-line service system in the *company's strategic thinking.*

A potentially important *new indication of this came* last month when the group teamed up with International Business Machines, the US computer company, to unveil a partnership aimed at facilitating Internet access.

The two companies are to build an open-standard software platform which they expect will lead to the development of a new generation of relatively low-cost devices, such as screen-phones, that will permit easier and faster access to the Internet than can be obtained using conventional personal computers.

The companies are trying both to make the Internet as user-friendly for French customers as the Minitel, which many hold responsible for the relatively low proportion of French households that are connected to the global data network, and to widen the range of situations in which the Internet is accessible.

"In future, these devices could be embedded into any kind of consumer equipment such as cars, television sets or other products," the companies say.

If the devices catch on, there is a good chance they could contribute to the creation of what Lionel Jospin, the French prime minister, has termed "an information *society with solidarity*" in France.

As he explained in a land*mark speech last year,* Mr Jospin's Socialist-led government does not want "the ditch" separating those skilled at making use of the new information technolo*gies from* those who are not to get any bigger.

"The ambition of my gov*ernment* is to facilitate the development of the information society in France while *permitting* as many people as possible to gain access to the new services," he said.

*Mr Jospin* even acknowledged that Minitel, though simple to use and secure, was "technologically limited" and risked becoming "a brake on the development of *new* and promising information technology applications".

He accordingly urged France Telecom, still majority state-owned in spite of last year's initial public offering, to devise solutions likely to encourage the "progressive migration of the very vast patrimony of Minitel services towards the Internet".

Two months before Mr Jospin's speech, in June 1997, France Telecom's Mr Bon *was already talking of* wanting to "democratise the Internet as much as possible".

Speaking in Le Mans, he outlined four measures that would contribute to this objective:

● the start-up of an Internet messaging service – Minitelnet – for Minitel users. This is now used by 400,000 people;
● a reduction in tariffs of Wanadoo, the company's Internet service provider;
● the launch of a "Minitel-Internet" – in effect the project recently unveiled with IBM; and
● the reinforcement of the company's offer to educational establishments.

"Our policy is simple," he said. "The complexity of the Internet must be hidden from the client."

One of the keys to the simplicity of use for which France Telecom and IBM are striving is the concept of so-called "pervasive computing" under which intelligent networks are combined with convenient, easy-to-use devices.

In a "pervasive" system, most management and navigational data, such as user profiles, security and access management applications, are held centrally within the network rather than cluttering up memory *space in the* end-user's individual terminal.

*This should mean users* being able effectively to trawl the Internet's vastly *greater* information network with no more navigational skills than are necessary for working the Minitel.

"In order to design this platform, we wanted to capitalise on the experience of France Telecom with their Minitel," says Michel Duponchel, director of industry solutions, telecoms and media for IBM Europe. "France Telecom knows how to design a system that is easy to use with simple access."

The two companies will first develop the new platform for use in France, where France Telecom hopes to start commercial service by the end of next year.

They will then start marketing their new Internet technologies on a worldwide basis – "particularly in countries where PC costs have been a barrier to widespread Internet adoption".

Analysts identify the Internet as one of the most important growth areas for France Telecom in coming years, along with mobile telephony and international expansion. One analyst says he is expecting more than 70 per cent compound average growth in Wanadoo subscribers, of whom there are currently more than 400,000, up from 105,700 at the end of 1997, for the next three years.

*This is in the context* of a market in which about one French household in five is expected to have an Internet connection by 2001.

The analysts also generally give the French company good marks for the way it has handled the exceptionally rapid recent Internet development.

"They are in a rather strange position with the domestic Internet because they started off with Minitel," says another analyst.

"This means they have a *market* that is used to using data communications, which is a plus, but it is non-Internet. In other words, they were early with a solution, but it turned out not to be the ultimate solution.

"In corporate Internet, they are better placed because they put in place a high quality network early on."

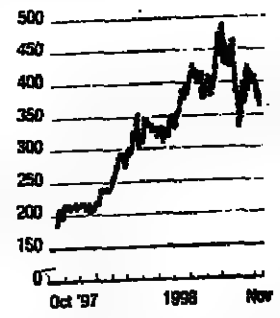
ABN Amro says the company has been "very quick to react to the French market's desire for local content".

"Because of Minitel, the French consumer market is now the most educated in Europe about the advantages of e-mail and e-commerce.

"The needs of the consumer have now outgrown the Minitel market and the potential of *migration from* Minitel to full Internet remains strong."

* *Source: Idate "Atlas Mondial de l'Internet" édition 98. Available from: Institut de l'Audiovisuel et des Télécommunications en Europe, BP 4167, 34092 Montpellier Cedex 2, France. Price: FFr15,000*

**France Telecom**
Share price (FFr)

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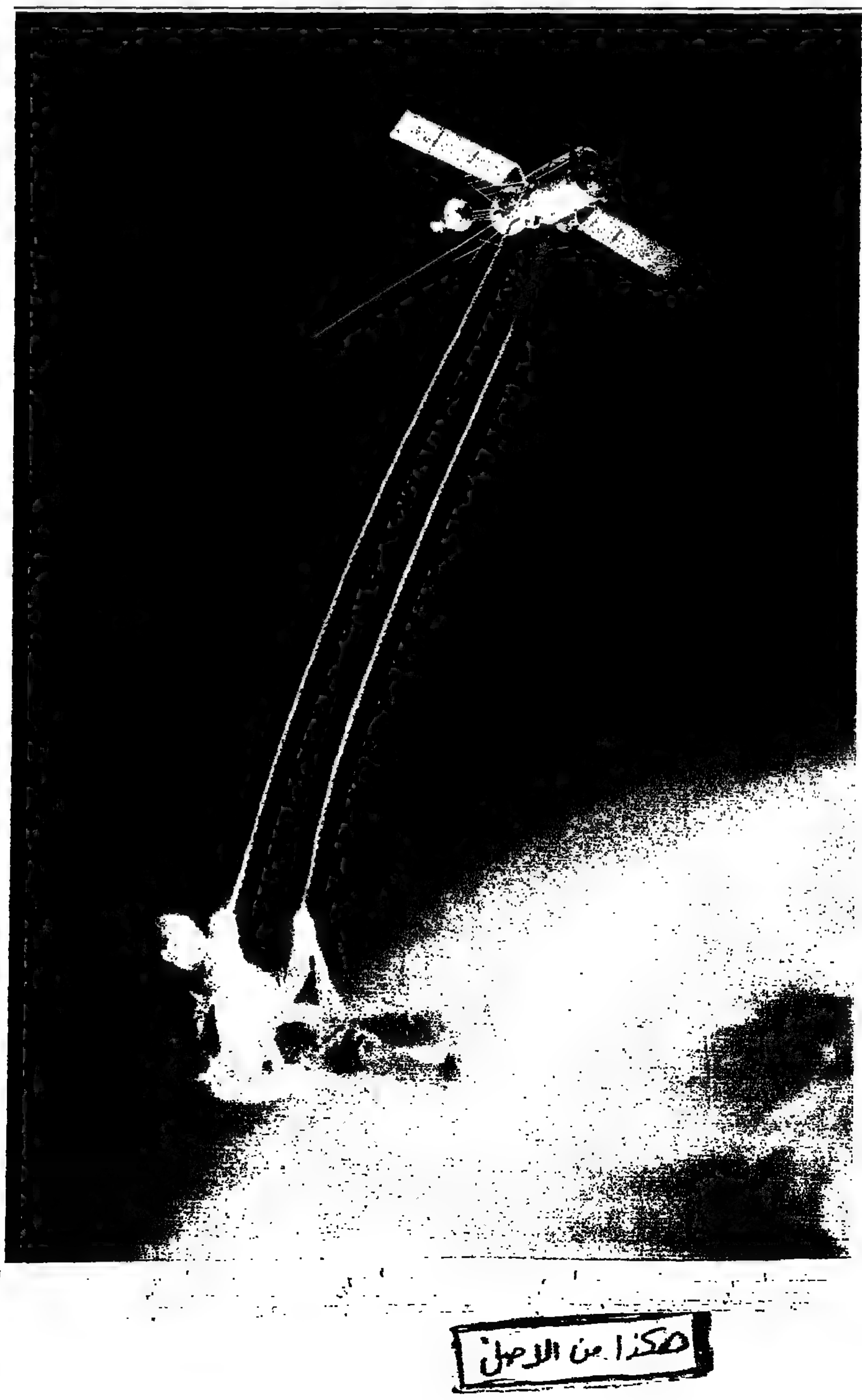

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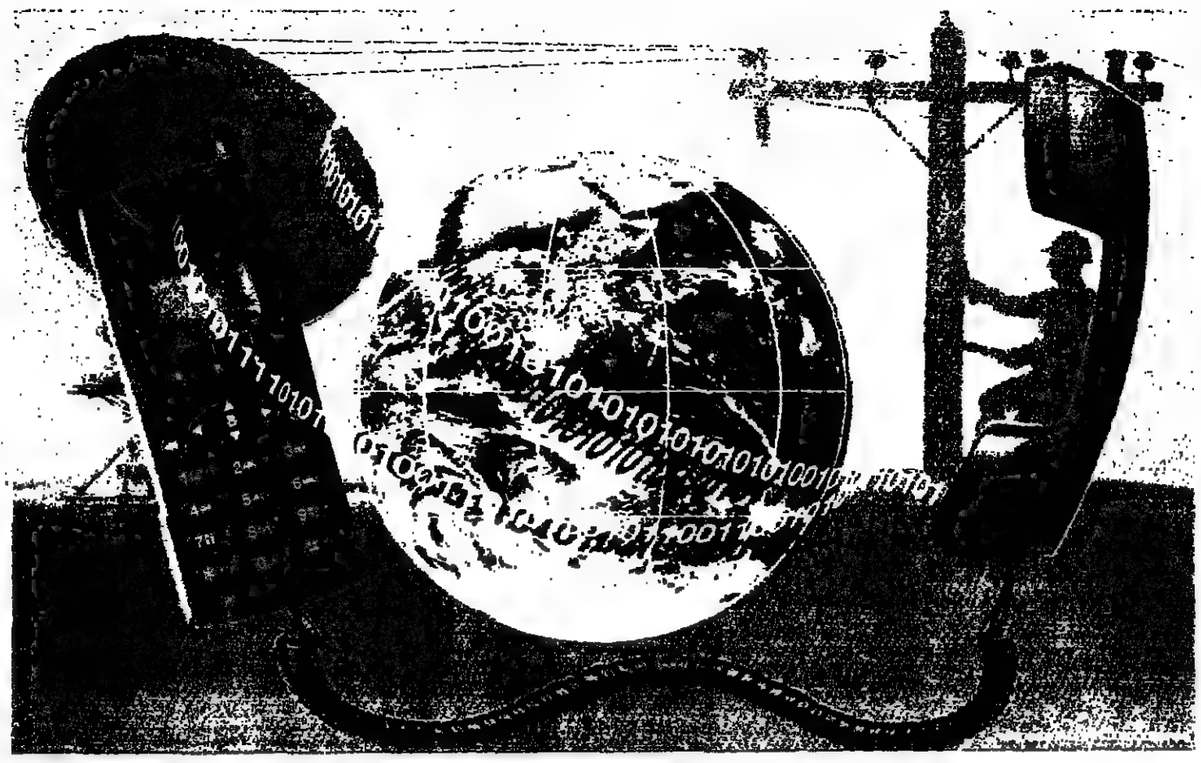
SECTION 2

**MOBILE COMMMUNICATIONS: INTRODUCTION** by Joia Shillingford

# Fixed-line operators fight back

Fixed-line telcos are not losing any sleep over global mobile telecoms yet. Mobile operators may soon be queueing up to form partnerships so they can supply fixed and mobile convergent services



Has the fixed phone had its day? Mobile operators would like to think so. And ABN Amro, the Dutch bank, predicts that by 2007, 60 per cent of all voice calls will be carried on a mobile network.

A number of mobile operators now offer pricing packages that undercut fixed-line telecoms – some of the time, at least. Subscribers to UK operator Orange, for example, can sign up for a package that gives them 20 minutes of off-peak calls a day.

This is cheaper than fixed-line telecoms operator BT, but with two provisos. To get the saving, you must make only off-peak calls. And it is not really cheaper once you include the monthly rental for the mobile and the line rental on your fixed phone (if you keep it).

Another strategy that has been tried in Europe, by UK operator Vodafone in the early 90s, is Homezone, where mobile calls made via the base station nearest to the customer's home are cheaper than normal mobile calls.

Such services have their limitations. Homezone was not really a success for Vodafone, and Orange has the option of introducing it but has not yet done so. One problem is that the base station the customer mobile connects to when he or she is at home may vary on different days of the week.

Val Spriet, principal consultant at Gemini Consulting, says: "Mobile operators are looking to voice as a continuing source of growth as mobile market penetration reaches higher levels. It is 50 per cent in Finland, which used to be considered the theoretical maximum."

Mobile operators in the UK will also be on the look-out for new sources of revenue as regulation starts to bite. The UK telecoms regulator will decide in December whether to put a cap on the cost of calls from fixed phones to mobiles which currently average 24 pence and could come down to 20-21p. This would benefit consumers but be a blow to mobile operators because they make a lot of money on these calls.

Mobile regulators across Europe are looking at reducing charges for incoming calls to mobiles, so UK mobile operators will not be the only ones looking for fresh sources of revenue. What kind of response they make will vary.

Ms Spriet says the strategy used by mobile operators seeking to carve out a share of fixed-call revenues depends on whether they also have fixed operations, and the degree of integration allowed by their regulator.

She believes that if they are mobile only (such as Orange or Vodafone), they will either take a substitution strategy and seek to have mobile replace fixed calls with products such as Homezone. Or they will adopt a convergence strategy and seek partnerships with fixed-line operators to supply fixed and mobile convergent services – similar to Vodafone's tie-up with fixed operator Energis.

In the short term, Ms Spriet predicts: "Most of the substitution will be call substitution, not line substitution, as mobile is not yet sufficient for multinational services."

Telecoms operators (telcos) with both mobile and fixed operations will take a different route, according to Ms Spriet. She says they will probably take a convergence approach and develop a portfolio strategy to target specific products for specific customer segments and develop convergent products that integrate the best of both fixed and mobile, such as BT OnePhone.

BT OnePhone is a dual mode handset that uses DECT (Digital Electronic Cordless Telephony) inside the office and digital mobile outside it (BT owns 80 per cent of cellular operator Cellnet).

Fixed-line operators are increasingly starting to see mobile operators as a threat, says Ms Spriet. In the past, most fixed operators were secure in their superior capacity and quality. But this is changing rapidly and will continue to change with third-generation mobile.

Already, Enhanced Full-Rate coding (EFR) is improving call quality on mobile networks such as One2One and Orange. Developed by Smartone in Hong Kong, EFR uses more network capacity to deliver a better service.

A Gemini Consulting survey of European operators carried out in May 1998 showed that 78 per cent of them felt that new fixed-mobile convergent products (such as as Homezone, OnePhone and mobile virtual private networks) will cannibalise mobile revenues. On the other hand, 75 per cent of operators – both fixed and mobile – felt that residential customers would always maintain their fixed phone.

Overall, fixed operators are fighting back, says Ms Spriet, by implementing convergent strategies and at the same time expanding their broadband-data services to ward off mobile operators by either enhancing the mobility of the fixed network (fixed-mobile convergence) or launching multimedia services.

ABN Amro expects mobile operators to make few inroads into data in the short term. The current percentage of mobile calls used for data is still only 1 per cent, according to Inmarsat, the maritime satellite operator. Scandinavian mobile operators, in particular, have a strong interest in fixed-mobile convergence and fixed-call displacement can already be seen in the region.

Mobile telephony will be far more of a challenge to fixed when third-generation mobile or universal mobile telephony services (UMTS) becomes widely available.

Britain's Monopolies and Mergers Commission is expected to raise $1bn by issuing four UMTS licences next autumn. Analysts expect three of the licences to go to incumbent UK mobile operators, with the fourth going to an outsider, such as France Telecom, US cellular provider Airtouch, or even BT independently of Cellnet.

So far, NTT of Japan's mobile arm DoCoMo is furthest ahead in the development of mobile, although Nokia recently also announced that it will be participating in third-generation mobile trials in China starting early next year.

UMTS or wideband CDMA (code division multiple access) will have a number of advantages.

First, it has much greater bandwidth for mobile data. W-CDMA operates at up to 2 megabits compared with 9,600 kilobits for Global System for Mobile. This makes it feasible for the user to appear always connected to the Internet or the company intranet while on the move. Or the user's personal organiser can become more versatile, by plugging into directory inquiries and other information over wireless networks.

Second, UTMS call quality is greater even than with EFR on today's digital mobile networks. This means that customers will barely notice if someone is calling from a mobile.

However, initially third-generation mobile will be used to overlay existing GSM networks. It will be installed, first in cities, then into other areas.

To begin with, it is likely to be used to provide extra capacity on GSM networks which could start running out of capacity in 2003-2004. By then, satellite-based global mobile services from the likes of Iridium, Inmarsat and Globalstar should be getting cheap enough to give them some serious competition. But fixed-line telcos are unlikely to lose sleep over the global mobile threat just yet.

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PROFILE
CELLNET

# Striking a strong note with the younger generation

Cellnet, the UK mobile phone network operator jointly owned by BT and Securicor, is showing signs of shaking off its staid image.

While still lagging arch-rival Vodafone in terms of adding new subscribers to its network, Cellnet is making significant advances over previous performance. And it is striking a particularly strong note with the younger market, which is expected to become important as market penetration rises.

According to figures gathered by the FT's Mobile Communications newsletter, Cellnet added 210,000 subscribers to its network during the three months to the end of September. That takes its total number of subscribers to more than 3.3m, some 450,000 behind Vodafone but 1.75m ahead of Orange and almost 1.9m ahead of One-2-One.

The figures sound even more impressive when compared to the previous quarter when Cellnet just managed to attract 79,000 net new subscribers lagging not only Vodafone but also Orange and One-2-One.

The change in Cellnet's fortunes can be attributed to a number of reasons but one stands out above all others: the new man at the helm.

Peter Erskine joined Cellnet as its managing director in April from heading up BT's Concert international corporate telecoms business. He brought with him a reputation for toughness and focus. He did not disappoint on arrival. [illegible] was [illegible] a very ambitious call expansion and [illegible] information [illegible] the [illegible] power. Simple as it might sound, there are good technical reasons to balance signal strength for users against interference within the network. Mr Erskine took the view that getting the service to the customer should come first.

He also decided to push forward with plans for an innovative new discount scheme, First, and an advertising campaign to back it up. And he took the decision to bring forward other existing plans for a prepaid mobile phone usage scheme. These three account for the dramatic effect on subscriber numbers, but the effect of prepaid has been particularly significant.

The emphasis at Cellnet has also clearly moved from corporate customers to domestic consumers. Commentators expect there to be some 25m mobile phone users active in the UK by the year 2005 – about the same number of mobile phone users as there are fixed-line phone users today. And the expectation is that – just as with fixed phones – the mobile phone will prove particularly popular with the younger age groups.

Even today it is estimated that 40-50 per cent of 18-24 year-olds now have access to a mobile phone in London. And they are also very keen users of the Short Messaging Service supported by digital mobile phones – a potential high revenue earner for network operators.

Cellnet's web site reveals its new youth orientation. A list of hints and tips on sending fun short messages is reminiscent of the style of communications which the first Internet users revelled in. And finally, with its guarantee of best discount rate regardless of the customer's actual usage that billing period – rather than according to his or her best guess made months or even years before, of what usage would be – has strong consumer appeal.

Cellnet has also introduced the Friends and Family type of discount scheme pioneered in the UK by its fixed network operating parent company, BT, to mobile phone network customers for the first time.

Although Mr Erskine has been quick to address Cellnet's old problems, he is keeping his eyes set firmly on the future. He has set some tough but realistic goals for the company. He wants to see churn – the proportion of customers lost to competitors, something that is inevitable in such a competitive environment as today's mobile telephony market – reduced to 26 per cent. It was a high as 32 per cent.

He wants to see Cellnet attract a constant 25 per cent of market share, unlike the wide fluctuations of recent years. (It had fallen to 13 per cent at one point). And he wants to see increased usage and increased revenue per customer. Despite subscriber growth, usage has only been growing at 1 per cent a month.

As the market gets more competitive, commercial life will get tougher for all network operators. And to make matters worse, Cellnet, just like its current rivals, cannot count on getting a Third Generation licence.

But even if it does not get a licence, Cellnet believes that there is a lot of life left in Second Generation networks. And Mr Erskine has plans to squeeze it for all its worth.

**Peter Purton**

**REGULATION** by John Williamson

# Oftel takes a can-opener to cellular phone tariffs issue

Serious money is at stake: calls to mobile phones account for 9 per cent of all telephony revenues of BT and other fixed operators. Incoming calls generate about 20 per cent of the mobile operators' total revenues

The subject of cellular telephone tariffs constitutes something of a can or worms that, in the UK at least, looks likely to be opened up in the very near future.

Earlier this year, Oftel, the telecoms industry regulator, took an opener to the can when it referred to the Monopolies and Mergers Commission (MMC) what it considered to be the unnecessarily high cost of calls to cellular telephones from fixed-line networks.

In Oftel's sights were the charges levied by fixed-line operators such as BT, and cellular operators such as Cellnet and Vodafone for terminating calls.

Oftel had earlier notified Cellnet and Vodafone that it was discriminatory to charge BT and other operators higher amounts for call termination than they were charging Cable & Wireless Communications (CWC). According to Oftel the cellular operators had responded but not in the way that Oftel had intended.

Instead of lowering their charges they revised interconnect terms with CWC to the higher levels paid by other operators, sweetening the deal with more favourable terms in other parts of the business the duo conduct with CWC.

Oftel also believes that the interconnect charges made by Cellnet and Vodafone are substantially above cost, and should be cut to 10.6 pence per minute (ppm) instead of 14.83 ppm proposed by the cellular companies from August 1998.

The regulator further opines that BT adds too much into its prices for calls to mobiles to cover its own costs, and proposes that this be cut from 5.77 ppm on average to 3.39 ppm.

The cellular operators themselves see things rather differently. On the occasion of the MMC referral, Chris Gent, Vodafone's chief executive, said: "We believe that the reference to the MMC was not necessary as the gap between the actual rate of decline of the cost of calls to mobiles and Oftel's target is not that great."

He continued: "It is Vodafone's contention that, in this very complex matter, Oftel has not correctly allocated all costs which can be attributed to incoming calls. By using Vodafone, the most efficient network, as the benchmark to set call rates which apply to all operators, they are giving little credit and reward for this efficiency and are penalising the other operators unfairly."

One thing is not disputed: big bucks are at stake here. According to Oftel statistics, calls to mobile phones account for 9 per cent of all telephony revenues of BT and other fixed operators, and incoming call revenues represent about 20 per cent of the total revenues of the mobile operators.

Cellnet, Vodafone, Orange and One2One have combined revenues in the region of £3bn a year, and mobile phone ownership is growing at 20 per cent a year. And this is not only happing in the UK.

"Europe is looking at what we do here and learning from our successes and our mistakes," says Arthur Oppenheimer, a regulatory adviser with the UK's Telecommunications Managers Association.

It would be inappropriate to anticipate the outcome of the MMC investigation, now scheduled for completion in December, although some experts predict a compromise.

Michael Denmead, a senior consultant with the Cambridge-based Analysys consultancy, agrees: "I think the outcome will be that Oftel will be proved right to an extent, and the operators will be proved right to an extent. They'll come to a compromise and lower prices. That's what usually happens."

David Edmonds: examining possibility of extending access options

But however the MMC rules in this particular case, pressure for fundamental change in the cellular industry is intensifying.

David Edmonds, Oftel director-general, is looking at the possibility of enlarging mobile access options, allowing users to switch between service providers for different types of call – say local, long-distance and international. Current mobile operators such as Vodafone are hostile to this development, arguing that it would discourage further investment in their networks and would actually put prices up.

At issue, both in the UK and overseas, is whether the premium for mobile communication is simply too high, and is maintained at artificially high levels by operators effectively functioning as cartels in markets that are supposed to be open and competitive.

The popularity of prepaid cellular packages certainly suggests that many people are apprehensive about the possible cost of unrestricted mobile telephone use.

Without doubt there is a premium that users are prepared to pay for the convenience of mobility over fixed, but the premium applied varies from market to market and is to some extent dependent on cellular penetration rates. According to mobile communications vendor Nokia, the premium in Finland, where the penetration rate has broken through the 50 per cent barrier, is about 20 per cent.

The relevance of penetration rates has to do with the fact that, as Mr Denmead points out, cellular markets usually kick off by concentrating on the corporate customer and only over time shift to the residential sector.

"To get into the residential market, operators have to significantly lower prices," says Mr Denmead. "Price elasticity is a bigger issue for residential users."

There is also no doubt that the premium people pay for mobility over fixed is decreasing. In the UK, Orange recently launched a tariff package claimed to price mobile communications at a level that the company says will allow consumers to choose cellular as a cost-effective alternative to the fixed-line phone.

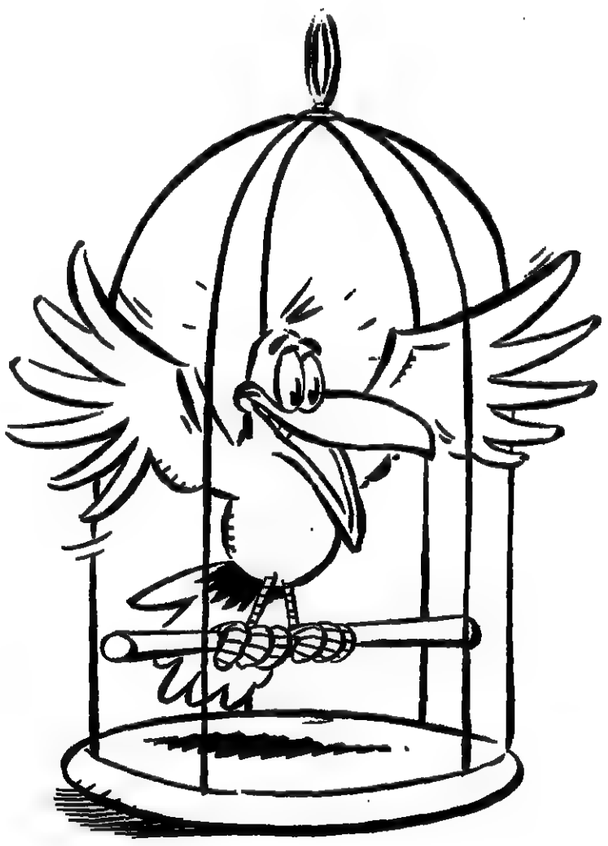
Everyday 20 is aimed at first-time mobile users and people needing to make more calls during off-peak, rather than peak times. In a direct value comparison with BT, based on 20 minutes of national off-peak UK usage per day, Orange says Everyday 20 is as much as 53 per cent cheaper to own and run than a fixed-line phone.

Leaving aside the consumer marketing initiatives of individual operators such as Orange, the convergence of cellular and fixed services in corporate networks is expected to further soften the mobile price premium. "I think you'll find it coming down as mobile is integrated into virtual private network packages," predicts Mr Oppenheimer. But there could be a downside here.

"Fixed-mobile packages of service will inevitably add to the complexity of comparing prices, with the 'cost of convenience' of packaged services like this becoming another factor for customers to consider," says Linda Whitington, director of sales and marketing at cable company Telewest Communications.

However this pans out, it may be as Mr Denmead suggests, that mobile will always be slightly more expensive than fixed. But all the signs are that, given time, it will not be by much.

*The author is senior technology editor for Global Telephony Magazine*



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PROFILE
TELECEL

# Portuguese entrant ready to fight for market share

*When António Carrapatoso* forecast in 1992 that more than 6 per cent of the Portuguese population would be using cellular phones by the end of the century, the 35-year-old chairman and chief executive of Telecel, a newly -launched mobile telecoms company, was derided as a dreamer.

Six years later, Telecel is the biggest revenue earner in a market that had already exceeded Mr Carrapatoso's estimate by 1996 and where not six in every 100, but four in every 10 people are now expected to own a mobile phone by 2000, one of the highest levels in Europe.

Confidence in market growth has been central to the success of Telecel-Communicações Pessoais. The company has not only achieved the rare feat for a second entrant of overtaking an incumbent operator, but has also attained market leadership – in revenue terms – over a rival that is part of Portugal Telecom, the monopoly operator of basic telecoms services.

"We were convinced from the outset that strong investment in a high quality network and efficient customer service would be compensated by rapid market growth," says Mr Carrapatoso. "This has proved accurate to the extent that Portugal now spends a greater percentage of its gross domestic product on mobile phones than any other European country."

When Telecel began providing cellular services in October 1992, Telecomunicações Móveis Nacionais, wholly owned by Portugal Telecom, had been in the market for more than three years. But the penetration rate – the percentage of the population using mobile phones – was only 0.3 per cent, a total of only 28,000 subscribers.

This was partly because TMN's network used analogue technology and was limited to in-car phones that could not be carried in the hand. It also reflected a lack of commitment to mobile communications by a company that was only a small unit within large group occupied with other pressing concerns.

By contrast, Telecel, awarded an operating licence in October 1991 in one of Portugal's first moves towards liberalising telecoms, entered the market sharply focused and ready to do battle for market share.

This commitment was backed by technological expertise brought to the group by AirTouch, the US telecoms group, which began with a 23 per cent holding in Telecel but now owns just under 51 per cent.

Telecel also had the advantage of being able to offer a GSM network from the outset. GSM has since become the de facto world standard for digital mobile phone technology. But Portugal was only the second European country after Germany to introduce the system, with Telecel and TMN putting GSM phones on the market almost simultaneously.

The GSM standard enables mobile phone users to "roam" freely, that is, to use their phones in other countries with the same system. It also allows operators to provide a wide range of additional services such as voice mail, call transfers and conference calls. The technology was the ideal tool for Telecel's strategy of targeting business users.

António Carrapatoso: 'Mobile phones will become almost as common as wristwatches'

A humorous, slightly irreverent advertising campaign was an indication of the company's innovative attitude. Equally importantly, Telecel introduced new concepts in customer service and distribution.

Staff were carefully trained, many of them in the US. Twenty-four services were created to deal with subscriber queries. A diversified network of distribution channels was set up, now comprising more than 2,000 points of sale.

The Portuguese, at that time used to much less customer-oriented utilities, responded enthusiastically. Two years after its launch, Telecel was already market leader, an achievement thought to be unique for a newcomer to a market where a competitor backed by the main telecoms provider is already established.

The group also invested strongly in building a high-quality network, offering subscribers coverage of 57 per cent of the country geographically and 80 per cent of inhabited areas from the beginning. Today, coverage is virtually total and Telecel is investing in improving the quality of mobile telecoms in the busiest areas and inside large buildings.

But the company has had the disadvantage of having to lease lines from Portugal Telecom. "This means we have had to keep our main competitor informed of all our network expansion plans," says Mr Carrapatoso. Telecel also pays close to 17 per cent of total revenue for use of these lines. The cost for some of Telecel's European counterparts is only about 10 per cent.

The Portuguese market exploded in 1996 when, a year after TMN, Telecel began marketing prepaid mobile phone services aimed at the mass consumer market. Telecel subscribers can read on their phones how much air time they have left and recharge them by using the handset to make a transfer from their bank account – a service Mr Carrapatoso believes to have been a world first.

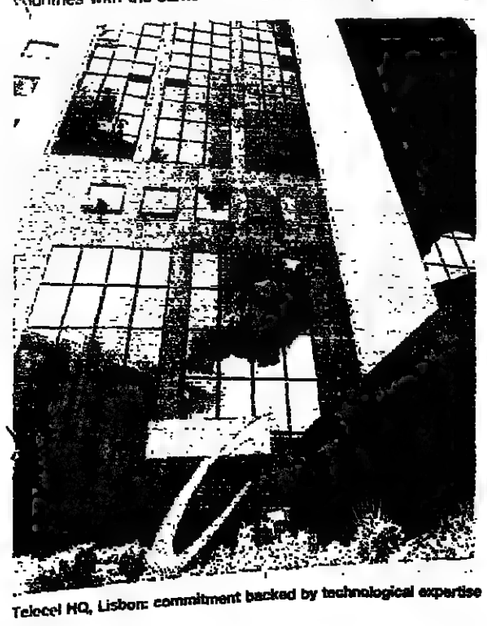
As a result, mobile phone penetration leaped to 6.6 per cent in 1996, 15 per cent in 1997 and is expected to reach 29 per cent by the end of this year. In Europe, only Scandinavia and Italy have higher rates. By 2000, some 40 per cent of the Portuguese population could own a mobile phone. "They will become almost as common as wristwatches," says Mr Carrapatoso.

Telecel and TMN both have just over 1m subscribers, with TMN slightly ahead of Telecel. However, because of its focus on business and affluent residential users, Telecel benefits from a higher average revenue per subscriber – Es9,116 a month in the first three quarters of 1998, compared with Es7,646 for TMN.

Average revenue has been falling steadily because of the increase in non-business customers and cuts in tariffs as competition intensifies. It will inevitably drop further following the start-up of a third mobile operator, Optimus, in September.

"This is an aggressive market that is going to get even tougher," says Mr Carrapatoso.

**Peter Wise**



Telecel HQ, Lisbon: commitment backed by technological expertise

**GROWTH** by Christopher Price

# Tariffs fall sharply as usage soars

One factor in market growth is that mobile is now seen as a consumer product rather than a business tool

Sharply declining tariff prices and rapidly rising usage have come to characterise the mobile market, as wireless companies have begun to invade the territory occupied by fixed-line operators.

According to The Yankee Group, the market research organisation, Latin America and Asia-Pacific saw the biggest tariff falls driven by the opening up of new markets and the onset of competition.

Australia, Japan, Hong Kong and Chile were prominent as the regions recorded price declines averaging 20 per cent each in 1997 over the previous year. They were closely followed by the US, with a 16 per cent drop. Western Europe saw only a slight decline, due mainly to the fact that there has been little new competition.

One of the key drivers to the growth of mobile is its shift in perception from being a business tool to a consumer product. At the same time, cellular prices in many countries have begun to look competitive compared to fixed-line tariffs, further encouraging mobile's move into the mainstream.

This trend was reflected in another recent study by The Yankee Group, which compared the prices of cellular and fixed lines for a number of world cities. Los Angeles and New York led the list, with falls of 64 and 63 per cent respectively in the price differentials between mobile and fixed services.

Among the others experiencing price falls of more than half, were Toronto (-63 per cent), Sydney (-57 per cent) and Rome (-56 per cent). The smallest changes were in Honolulu and Athens, which both fell 13 per cent.

The report notes that the biggest declines were recorded in those areas with the stiffest competition. Thus, Copenhagen, Stockholm, Helsinki, Sydney, Boston, Chicago, Toronto and London were all found to have had differentials between fixed and mobile of 5 per cent or less.

"This narrowing premium, we believe, will be the chief determinant of whether wireless penetration will exceed 50 per cent penetration in developed markets, and whether, as fixed networks are optimised for data traffic, voice traffic will migrate increasingly over to wireless networks," says the report. From this, the research group forecasts the proportion of wireless traffic will rise from 5 per cent of world switched teletraffic in 1997 to 18 per cent in 2002.

Despite these global trends, the prices and penetration in the mobile market differs markedly from region to region and country to country. In Asia-Pacific, for example, the picture has been further clouded by the turmoil experienced in its financial markets. This has had the effect of hitting business and consumer confidence, although increasing competition has still had a downward effect on prices.

However, devaluation is likely to lead to higher equipment prices and analysts believe the sharp falls in prices seen in 1997 will not be enjoyed in the short term. On the other hand, financially embattled governments are likely to look to potentially lucrative sectors, such as telecoms, to kick-start their economies, so that deregulation plans could be brought forward.

Analysts point to China in this regard, where penetration is a mere 1 per cent, but where plans for investment and deregulation could make a significant change to the region's mobile outlook.

Latin America too has not escaped the financial markets turmoil, although the effects have been less pronounced. The region also has some different characteristics which underline its potential for continuing rapid growth, albeit from a low base. These include the poor state of existing fixed-wire networks, with long waiting lists not uncommon for new lines. Wireless operators have found a receptive audience to their services in contrast to the stiff competition put up by incumbents in more developed markets.

However, competition remains limited in most countries to a duopoly situation, although this is set to change rapidly over the next two years if deregulation plans in many of the countries come into effect.

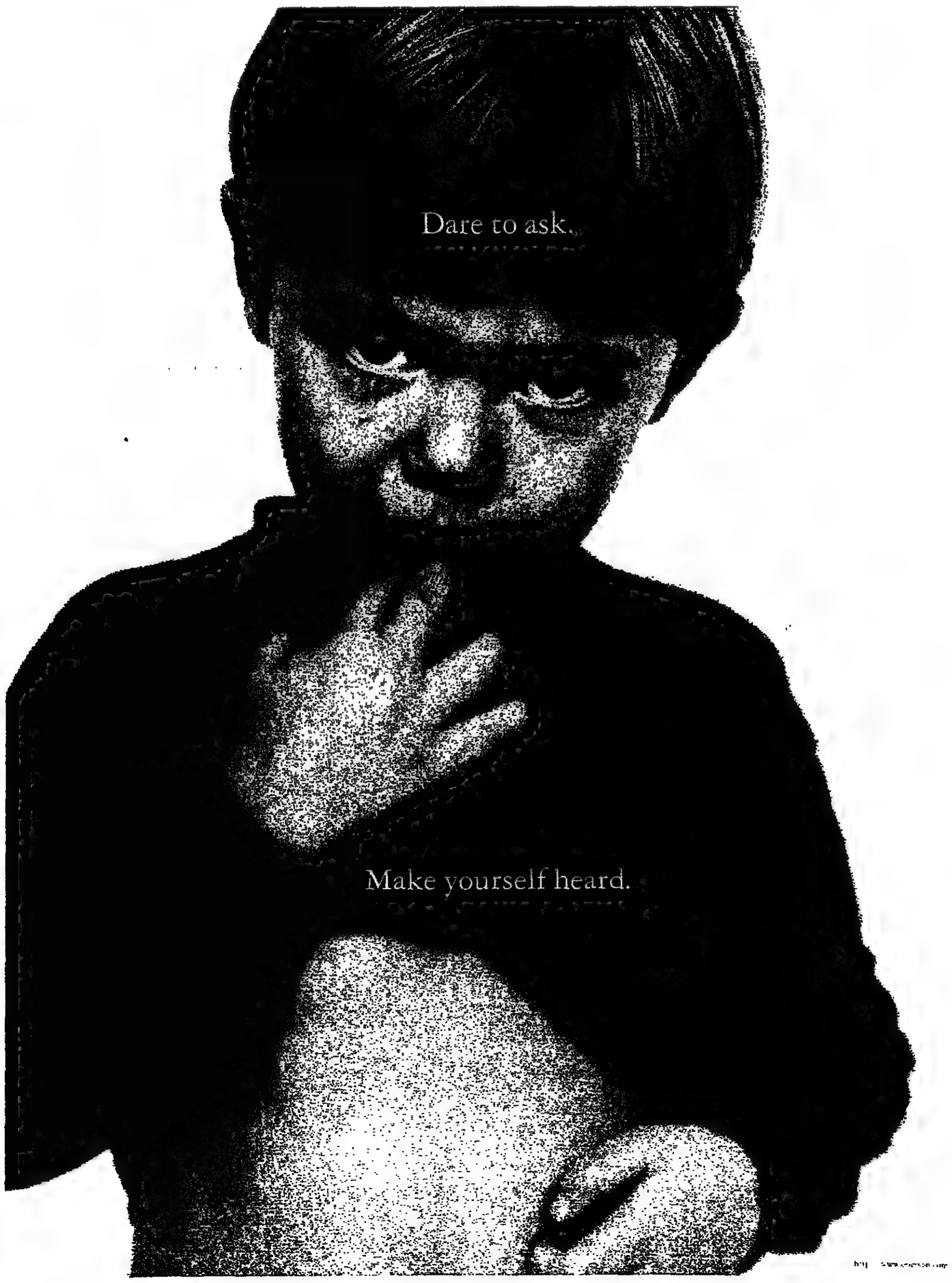
"Deregulation, privatisation and improving economic conditions across the region are pushing the envelope for enhanced competition and better pricing schemes – good news for the thousands of would-be subscribers waiting for wireless for in many cases any communications service," says The Yankee Group.

With deregulation well under way in Europe, consumers are enjoying the benefits of competition, lower tariffs and added services from their handsets.

Penetration in Finland, which is the highest in the region, exceeded 50 per cent this year. The Yankee Group forecasts this will rise to 73 per cent by 2003. Elsewhere, the UK is forecast to increase from 19 to 41 per cent, France from 17 to 38 per cent and Germany from 15 to 38 per cent.

According to Salomon Smith Barney, the US investment bank, a further 13.3m subscribers were added in the European market in the first six months of 1998 – double the number in the same period last year. The total number of subscribers at the half year was 68.6m.

Penetration for the region rose from 14.4 per cent at the end of 1997 to 17.9 per cent. The bank forecasts a rate of 22.6 per cent by the end of 1998, representing a subscriber base of 87m.

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| 3 | • | Sprint |
| 4 | 2 | Nippon Tel. & Tel. |
| 5 | 4 | British Telecommunications |
| 6 | • | Bell Atlantic |
| 7 | • | Ameritech |
| 8 | 10 | France Télecom |
| 9 | 8 | Deutsche Telekom |
| 10 | • | Telefónica de España |
| 11 | 6 | AT&T |
| 12 | 9 | GTE |
| 13 | 5 | MCI Communications[1] |
| 14 | 11 | Istituto per la Ricostruzione Industriale |
| 15 | • | Telebrás |

– Not ranked that year. [1] Acquired by WorldCom; now called MCI WorldCom, Sept. 14, 1998.

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**NEXT-GENERATION MOBILE** by Peter Purton

# Countdown has begun although standards still differ

The key to Third Generation's success will be the applications that make it essential for consumers

The countdown to the introduction of Third Generation cellular radio networks has begun. In Japan, the first Third Generation networks should be up and running by 2001. In Europe and the US, the aim is to launch in 2002.

There is still some disagreement over what the standards should look like. At the moment it looks as though the US may go one way, Europe and Japan another. But there is remarkably little disagreement between the various parties over what Third Generation will offer.

"Since we have enough spectrum allocated in existing hands to cope with voice alone until the year 2010, the whole emphasis about Third Generation is not about voice at all," notes Ian Sugarbroad, vice-president responsible for business development at Nortel, the Canadian-owned telecoms equipment maker.

"It will do voice. It will do voice cheaper. But the focus of this is coming down to mobile access to Internet type networks."

Today's Second Generation cellular radio networks send the bulk of their information over circuit switched connections. This means that a connection is tied up by a user continuously from when the link is established to when it is cleared down – whether or not any information is being communicated.

Third Generation will use packet connections, which work more like a computer local area network (Lan) or a taxi control radio system. The channel is open all of the time but is shared by many users. It is only tied up by a user at the precise moment when information is sent or received. This approach is particularly efficient for data communications.

"Third Generation will be the intersection between voice and data," says Bob Bond, vice-president responsible for regulatory affairs at San Diego-based Qualcomm. There will also be an all-round capacity and data communications speed increase, he adds. This is likely to have a great impact on mobile communications for the end user.

"It puts the Internet in your pocket," says Ukko Lappalainen, head of marketing and business development of radio access systems at Finland's Nokia Telecommunications. "Data and image will become as familiar ways of communicating as voice is today. People will expect to be able to do anything on the move which they have grown used to being able to do at home or in office."

This is likely to include sending and checking e-mails or faxes, Internet browsing, group working or uploading or downloading computer files. These things can be done on today's Second Generation systems but with Third Generation they will be faster and richer.

"The difference between Second Generation and Third Generation is like radio and television or like the propeller and the jet engine," says Hakan Djuphammar, director of Third Generation product strategy at Swedish telecomequipment maker L M Ericsson.

Motorola's smart phone will be used to download funds from a bank account onto a cash card

"Third Generation is going to be a lot about sending pictures and video clips. It's also about more of the same but faster – especially when it comes to data communications such as Internet browsing."

Third Generation handsets could incorporate cameras, screens capable of supporting moving images and data input devices such as keyboards as well as the microphone, speaker and keypad of today's phones. Either that or they may go the other way, becoming simple communications gateway devices clipping to a belt or kept in a pocket and giving other pieces of equipment such as personal digital assistants or headsets access to the network.

As with any big change, there are some concerns. A big fear is that there could be a disruption to the market during the transition between Second and Third Generation.

"We could end up with a stall in the market," notes Sanjay Jhawar, business manager, Smartphone and Data Products at US company Motorola's European Cellular Subscriber Division. "[With First and Second Generation systems] wireless data took a lot longer to get going than we expected and has really only started to take off in the last year. There is a danger of it all stalling again."

The key to Third Generation's success will be to find applications that make it essential for consumers. Third Generation's video supporting capabilities have been widely touted as a potential "must have". But not everyone is so confident.

"I'm not sure video alone will make it a success. Videophones and videoconferencing have been around for years and they are still only tiny niches," says Neil Montefiore, chief executive of Singapore cellular operator MobileOne.

Monica Horten, high tech marketing specialist and author of a forthcoming report* on the convergence of the information industries and mobile communications, believes the real driver will be information.

"The key for the industry is to discover what people will want to receive via Third Generation," she says.

A new business called Infomedia will emerge, says Ms Horten. This will be the business of producing and distributing information via new media such as Third Generation. "Infomedia will form a significant proportion of traffic over Third Generation networks," she says. The keys to success will be the ability to to deliver quality and people knowing who you are and trusting you, she says. Another critical factor will be market segmentation.

"The UK magazine market is worth £5bn a year spread over 6,000 titles," she says. "As it happens, annual mobile phone call revenue is about the same. The two together could make a very powerful combination."

** Divide and Rule: Infomedia on Mobile Networks. A Strategic Analysis. Published by M.com, tel: 0171 249 6363; www.mcom.mcmail.com.*

**GLOBAL MOBILE** by Christopher Price

# New industry gets a fillip after setbacks

The sector is still in the process of raising funds and is heavily dependent on its credibility for the best terms

After a faltering start, the first satellite hand-held mobile phone service was launched at the beginning of this month – providing the fledgling industry with a much-needed fillip.

The Iridium service went live on November 1, after a delay of six weeks due to technical problems.

However, this was just one of a number of setbacks that have hit the multi-billion-dollar industry in the past couple of months, raising questions over the viability of three competing networks in such a high-risk environment.

In August, the failure of two Iridium satellites had an adverse effect on the flotation of ICO Global Communications, lowering the amount of money the UK-based company raised. ICO was the last of the three companies to join the Nasdaq stock market.

A month later, disaster struck Globalstar when almost one-fifth of its satellites were destroyed minutes after take-off in Khazakstan.

The setback means that the group's launch date of late next year is likely to be only on a regional basis. It expects to have a global service by the end of 2000 – when ICO is due to launch its service.

The difficulties have come at a crucial time for the industry, which is still in the process of raising funds and is heavily dependent on its credibility for the best terms.

ICO, for example, has just completed negotiations for a $2bn facility with bankers. This takes to $4bn the sum raised for the ICO system, but leaves some $800m to be found.

Norman Lindsey, chief financial officer, said the original intention had been to raise the money on the equity markets. However, the recent weakness in the financial markets, together with the 30 per cent decline in ICO's share price since flotation had prompted the decision to seek funding from outside investors.

Globalstar, which is backed by Loral, the US aerospace group, is still several hundred million dollars short of the $3.2bn target needed to fund its system. Anthony Navarra, vice-president of strategic development, said the company would turn to the debt markets to complete its financing, which included about $150m for the Khazakstan failure.

The high start-up investment costs of the systems is not the only financing issue for the companies. The low-earth orbiting satellites of Iridium and Globalstar have a maximum life of about seven years, and will need replacing thereafter. ICO's medium orbit satellites have a 12-year lifespan.

These issues have focused attention on the pricing policies of the three groups. Iridium, by virtue of being first in the market, has its pricing information publicly available. International calls using the satellite system to anywhere in the world cost between $4 and $7 a minute. Handsets retail at $3,000.

Domestic calls within a country will utilise Iridium's terrestrial cellular partners' networks, and cost between $1 and $2. Calls in developing countries will drop to below $1 a minute.

Globalstar and ICO have both said they will be cheaper than Iridium.

However, Ed Staiano, chief executive officer of Iridium, believes his competitors will find it impossible to maintain these rates, and that soon the rates of the three groups will be closely comparable. "I can't see Globalstar or ICO being much cheaper than us, if at all," he says.

Mr Staiano believes Iridium's 12-month lead on its competitors – now extended since Globalstar's rocket setback – will be vital in establishing dominance in the sector. "It's going to be an uphill battle if you are not there at the beginning," he says.

Not surprisingly, Mr Navarra disagrees. He points out that Iridium has aimed its strategy at business travellers at one end and developing countries at the other. This leaves a great swathe of mobile phone users who would like the flexibility of global roaming and dial-anywhere access, at a lower cost.

To this end, Globalstar phones will start retailing at $800, and Mr Navarra insists call charges will be among the lowest in the industry.

ICO's strategy is based on the belief that, with the huge growth in the mobile phone market, there will be ample demand to support three competitors. Where price competition ensues, Mr Lindsey says that the longer lifespan of its satellites will enable ICO to withstand the pressures more easily than its competitors.

Much will also depend on the satellite companies' cellular partners. All three companies have adopted the same model of using terrestrial cellular operators to market, sell and bill for their services. How well these partners perform will have a crucial impact on the performance of the satellite groups.

And the satellite groups are taking no chances. Fresh on the heels of Iridium's $140m campaign to launch its service, Globalstar is gearing up for a $100m initiative to kick-start its launch next year. ICO is also likely to spend similar amounts in its attempts to establish its brand.

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**GLOBAL MOBILE COMMUNICATIONS: USER PERSPECTIVE** by Geoff Nairn

# Cellular vs satellite: difficult choices for consumers

MSS networks have clear advantages, but drawbacks include their size and the cost of using them. Many customers might do well to stay with cellular for the time being

Mobile Satellite Services (MSS) represent a big advance in personal communications but those hoping to become the envy of the office with a satellite phone should also consider the shortcomings of the technology.

The first point is that MSS networks such as Iridium are designed to complement rather than substitute today's cellular networks.

"Satellite networks will provide users with maximum freedom, but bear in mind that they are only a supplement to conventional mobile networks and will not replace them," says Staffan Reinefjord, manager of satellite telephony within Ericsson Mobile Communications.

The company will supply telephones to the Globalstar network, a competitor to Iridium that is due to start operations in late 1999.

For troubleshooters in remote regions or yachtsmen becalmed in mid-Atlantic, MSS networks have clear advantages over traditional satellite phone services because they use a simple hand-held phone. But enter the urban jungle or the bowels of a building and MSS phones do not work so well – they need a "line of sight" to the satellite circling overhead.

Industry experts caution that those users who are well served by cellular systems have little to gain by switching to a satellite-based system. Indeed, users coming from the cellular world are in for a shock the first time they pick up a satellite phone – literally.

The latest cellular phones are stylish fashion accessories that typically weigh less than 150 grammes and are small enough to be slipped into a jacket pocket or handbag. By contrast, the first hand-held phones designed for the Iridium network – the only MSS so far operational – weigh almost 500g and are bulkier.

"They remind me of the old Motorola 'brick' phone," says Timothy O'Neil, analyst with US investment house SoundView Financial, referring to one of Motorola's earliest – and heaviest – cellular phones.

Motorola has a 20 per cent stake in Iridium and has developed one of the two Iridium-compatible phones currently available. Japan's Kyocera has developed the other.

Mr O'Neil helped test the Iridium service with 2,000 other pilot users and is mostly enthusiastic. "Voice quality is almost as good as a cellular phone and there is no noticeable delay," he says.

Telephone calls made using traditional satellite services often suffer a delay caused by the distance the radio signals travel to the satellite and back down to earth. Most of the new MSS networks use satellites in low earth orbit (Leo) and thus the distance the signal must travel is considerably shorter.

An Internet newsgroup has been monitoring Iridium during its pilot phase and recent messages note that the quality of service and call success rate have improved dramatically since the summer when calls would frequently fail.

However, if Iridium service quality has improved, the same cannot be said for its prices. Iridium is using a network of resellers around the world and so prices vary but analysts believe the first generation of handsets are unlikely to fall below the target price of about $3,000 that Iridium originally set.

Monthly fees are expected to be about $50 and calls will cost from $3 a minute to as much as $7 a minute – or more.

"The pricing is very complicated," says Mr O'Neil. In general, resellers will probably charge about 20 to 30 per cent more than if the call were made using conventional "roaming" agreements between terrestrial cellular networks.

Cellular roaming is likely to be one of the main uses for MSS networks. Iridium and Kyocera both offer dual-mode phones that double as satellite terminals and conventional cellular phones, thus offering the best of both worlds: the lower cost and greater reliability of the cellular network where available, with the ability to use the satellite network where cellular coverage is patchy or non-existent.

To move between cellular networks – there are different standards in use around the world – the Motorola phone uses "cassettes" that slot into the phone. Each cassette is compatible with a different local cellular standard. When the phone is used to access the satellite network, a larger antenna has to be attached.

As well as the dual-mode phones, Kyocera and Motorola offer dedicated satellite phones that are physically similar but cannot be used on cellular networks. These models are aimed at people working in remote regions, such as geophysicists, who do not need the cellular roaming capability.

Kyocera and Motorola also offer satellite pagers which are designed to be used with the phones. This is because while the satellite phone does not work well inside buildings, the pager signal can penetrate much deeper.

The data capabilities of Iridium are poor because data transmission is limited to 2,400 bits a second – enough to send a short e-mail or slow fax but hopelessly insufficient in today's Internet age.

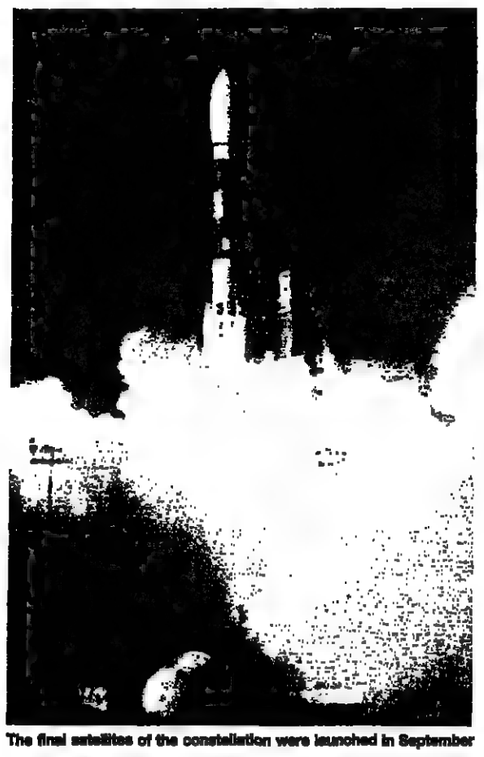
Also, the data feature is not available until the second quarter of 1999.

Iridium has gained a lot of publicity by being the first of the MSS networks but analysts say potential customers should consider waiting until Globalstar arrives in late 1999.

The advent of competition will allow users to compare prices and also technologies.

Globalstar uses a different technology called Code Division Multiple Access and, according to its proponents, should produce clearer calls than Iridium. The downside is that the networks are incompatible so phones bought for Globalstar cannot be used on Iridium and vice versa.

By the end of the century, terrestrial mobile networks will still only cover about 20 per cent of the land area and so for globetrotting executives and others in parts of the world where cellular does not reach, the new generation of satellite networks could provide a solution – albeit at a hefty price.



The final satellites of the constellation were launched in September

PROFILE
IRIDIUM

## From science fiction to a fully operational network

It has taken seven years and $5bn, but Iridium, the satellite consortium created by Motorola, has finally achieved what once seemed science fiction: the ability to make and receive calls anywhere in the world using a hand-held phone.

Iridium is just one of several mobile satellite systems (MSS) planned for the next few years but it was the first to go operational, at the beginning of this month, and is now basking in the warm glow of success.

Ovum, the UK-based consultancy, predicts there could be nearly 11m MSS users in the world by the end of 2007.

"We are on the cusp of delivering the most extensive wireless capability the world has ever seen," said Edward Staiano, Iridium's chief executive, in September after the launch of the final satellites needed to complete the 66-satellite constellation.

Globalstar, Iridium's nearest competitor, will not start operating for at least a year and Iridium hopes its early lead will allow it to carve out a sizeable portion of the $3.7bn market that MSS operators will share in 2007, according to Ovum.

Official history has it that the germ of the Iridium idea was sewn in 1985 by the wife of a Motorola executive who was frustrated at not being able to make a call from her US cellular phone when holidaying in the Caribbean.

To solve the problem, Motorola engineers proposed building a "constellation" of communications satellites that would allow globetrotters to keep in constant communication anywhere in the world.

The satellites move around the earth in a low earth orbit (Leo) of 780km, compared with 36,000km for a traditional geostationary satellite.

The lower altitude allows low-power handsets and small antennas to be used, so today's Iridium phones are closer in size and weight to cellular phones than the briefcase-sized equipment needed to use traditional geostationary satellite systems.

In 1991, Motorola established Iridium as a separate company to develop and build its revolutionary system and attract the heavy investment needed.

As well as Motorola, Iridium now counts among its investors Lockheed Martin, Bell Canada, Sprint and c.tel.c, the Germany telecoms company which is in charge of Iridium's European operation.

This month, the Iridium dream finally became a reality. But now Iridium faces another challenge: the transition from a mission-focused technology company – it launched 72 satellites in just 12 months – to a "softer" organisation in which customer service, rather than technology, is king.

"Iridium's premium service image must be substantiated through the delivery of high quality service," says Mauro Sentinelli, Iridium's executive vice-president of marketing.

The company does not offer its service direct to customers but instead has 300 distribution agreements with regional service providers and "roaming partners" – terrestrial cellular network operators – in more than 122 countries.

Analysts believe the long-term viability of Iridium and similar systems depends as much on the strength of these commercial relationships as it does on the strength of the radio signals.

"Marketing and distribution, rather than the technology, holds the key to success in the MSS market," says Alex Nourouzi, a consultant with Ovum, which estimates the MSS service provider market could be worth $1.6bn by 2007.

Iridium has also set up three global customer care centres to supplement the customer service of its service providers, which in Europe include E-Plus, Hutchison and Orange.

The three call centres – located in the US, Australia and the Netherlands – will employ more than 1,100 operators speaking 13 languages and their operation has been entrusted to Sprint, the US carrier.

At least 100 of Iridium's partners have completed the technical work needed to allow Iridium customers to "roam" on their cellular networks and, in turn, let their own cellular subscribers roam on Iridium's satellite network – assuming they also buy an Iridium-compatible phone.

Cellular roaming is one of the most attractive markets for Iridium because it knows many executives and other globetrotters will willingly pay a hefty premium to be able to stay in touch in regions where cellular networks do not yet reach.

Timothy O'Neil, analyst with US investment house SoundView Financial, calls this the "low-hanging fruit strategy" and believes Iridium service providers will aim to exploit this pent-up demand to the maximum by imposing very high call charges.

**Inter-satellite 'crosslinks' are a unique feature that distinguishes Iridium from other systems**

Iridium says it has no control over the prices its distributors wish to charge.

Iridium is also out to maximise its revenue and this is one of the reasons for the complex technology that underpins the network.

Conventional satellite systems are simply "bent pipes" that bounce the signal from a user's telephone back down to the nearest base station, from which the call is fed into the terrestrial phone network.

Iridium's design, by contrast, aims to minimise the portion of each call that is routed through terrestrial networks and keep the call up in the sky as long as possible.

It does this by switching a call across the network of satellites until reaching one close to the destination. Only then is the call fed down to earth and into the terrestrial network.

These inter-satellite "crosslinks" are a unique feature that distinguishes Iridium from other satellite communications systems.

They enable the satellites to talk to one another in space, and allow calls to be routed through the constellation with the shortest delay.

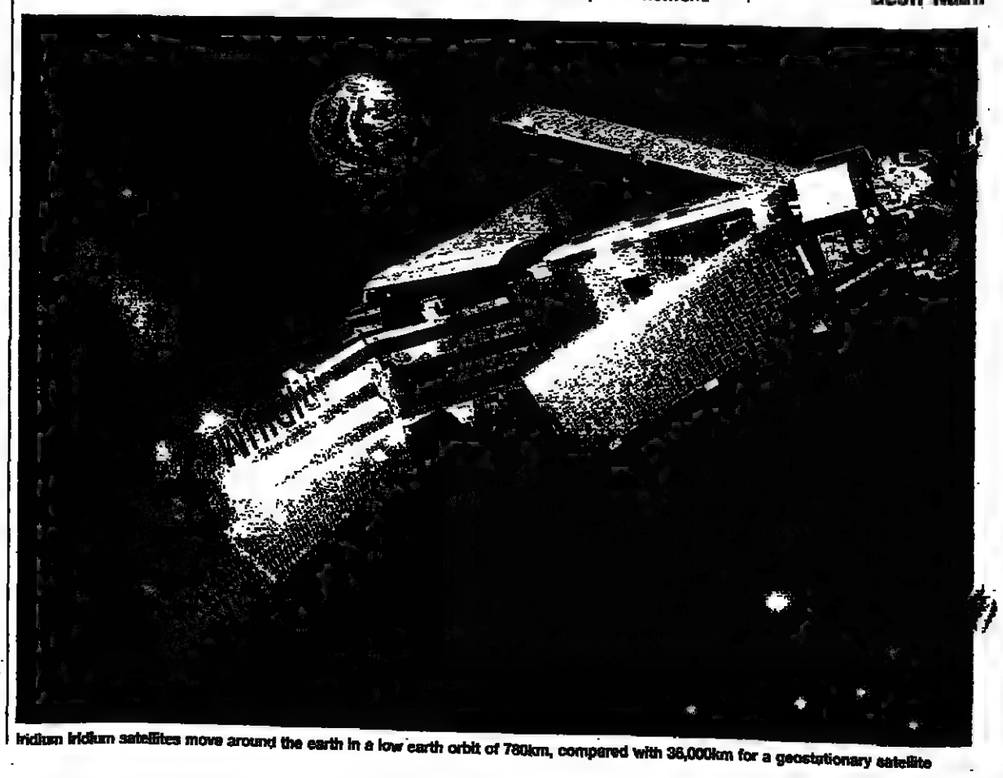
Irrespective of the technical advantages, the main commercial reason for adopting this complex design is to minimise the charges Iridium has to pay to terrestrial network operators to carry its traffic.

Motorola hopes to produce 100,000 Iridium-compatible phones before the end of 1998 and Iridium has at least a year to exploit its monopoly.

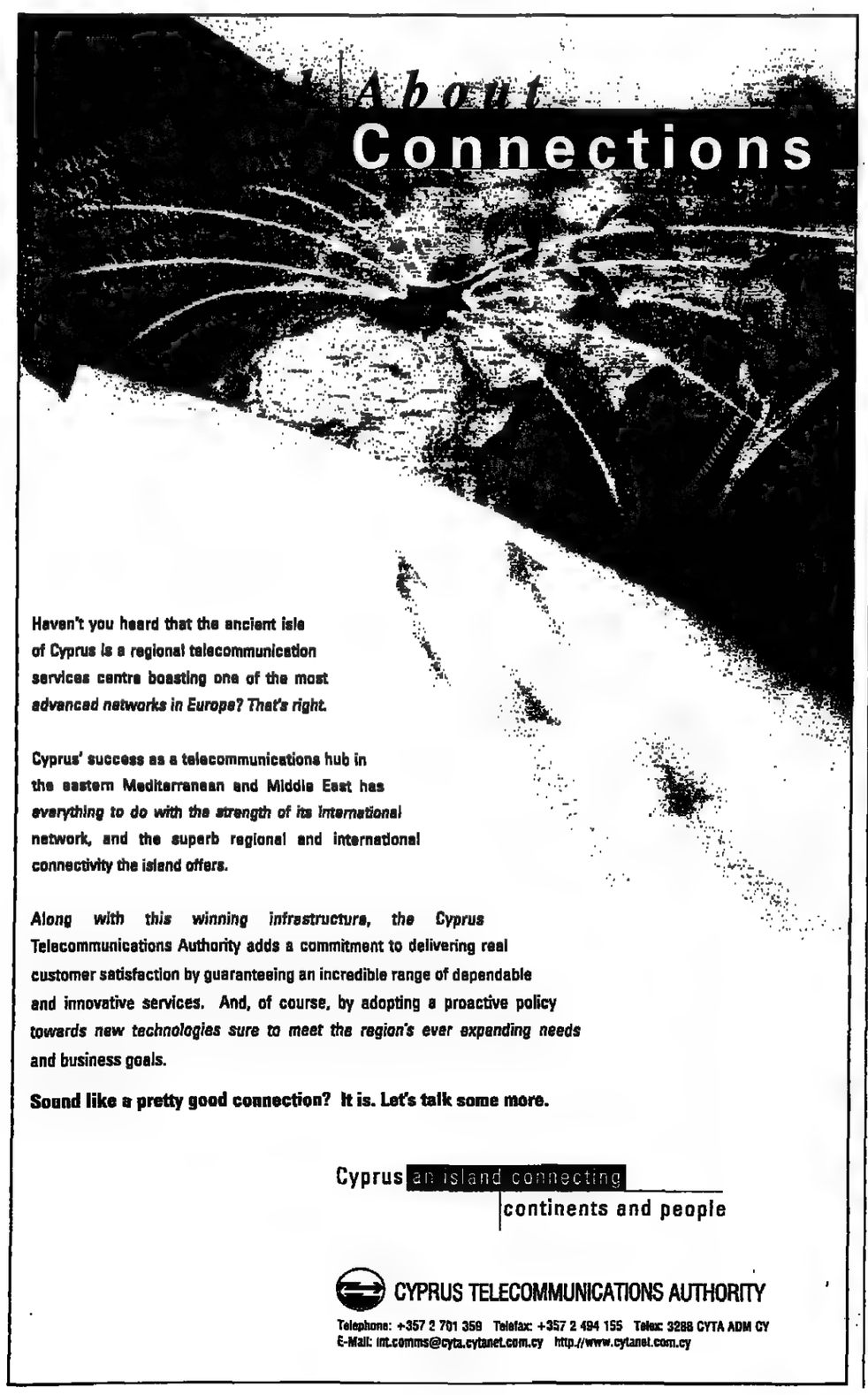
But analysts caution that Iridium will eventually have to face competition, both from rival MSS schemes and a new generation of terrestrial mobile phones that can work on different cellular networks.

**Geoff Nairn**

Iridium's constellation of 66 satellites is targeting a market of $3.7bn which operators will share by 2007



Iridium Iridium satellites move around the earth in a low earth orbit of 780km, compared with 36,000km for a geostationary satellite

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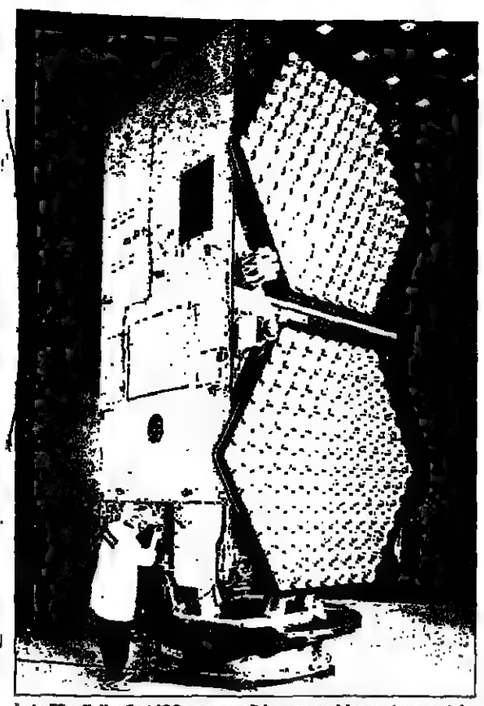


Late lift-off: the first ICO spacecraft is prepared for environmental testing at Hughes Space and Communications in Los Angeles

PROFILE
GLOBALSTAR

# Rising like a phoenix from ashes of $180m disaster

Even though a quarter of the satellites it had launched werelying in charred fragments scattered across a Kazahkstan desert at the time, it took more than a commercial catastrophe to dent the optimism of Globalstar, one of the new global mobile satellite operators. Last September, 12 of its planned 48 low-earth orbit (Leo) satellites were destroyed shortly after blast-off when a Ukrainian rocket exploded. The financial loss to the company was estimated at $180m and no sooner had reports of the disaster filtered through than Globalstar's share price nose-dived on Nasdaq.

However, the knee-jerk reaction of the stock market was somewhat premature. Comprehensive contingency plans were already in place, and Globalstar is rising again, even though the company admits the incident was a serious setback.

"That was a big disappointment for us," said Bernard Schwartz, chairman of Loral Space and Communications, the US company which leads the international consortium, and Globalstar chief executive. "We're looking at doing a Soyuz [rocket] launch at the end of November, which will put our launch campaign back on track."

The rocket explosion has pushed back the start of the services the satellites were meant to carry by three months to either September or October next year, the company said. Nevertheless, the operator expects to have its full constellation of 48 operational satellites launched by the end of 1999, with a minimum of 32 units in low-earth operational orbit by the time the service starts. A further 16 back-up satellites will also be put into orbit, making 64 in total.

According to Globalstar, Europe, the US, Canada and China will be the first territories with access to the network.

Banking on its worldwide service provider alliances, Globalstar is partnering with not only the terrestrial networks of its shareholders' interests – so-called 'first tier' service providers – such as the UK's Vodafone Group and France Telecom who hold franchise rights, but also exclusive regional distributors, such as Hong Kong Telecom, which will serve China's burgeoning communications market.

Subscribers can use Globalstar's network in addition to their existing cellular provider by working in tandem with existing terrestrial-based cellular networks, through so-called "dual-band" handsets. These new portable phones can operate either on the terrestrial cellular service

Bernard Schwartz: Soyuz lift-off could put launch campaign back on track

while in the coverage area or switch over automatically into satellite mode if the user roams out of area.

While arch-rival Iridium has decided to go after the international business traveller market, Globalstar has decided that although it, too, wants to attract such custom, its primary market is as a "cellular extension".

"That's anybody who travels outside existing cellular networks whose business or personal practices take them there," said Mr Schwartz. "That could be a transportation company, a fishing fleet that needs good service at a reasonable price, or even a backpacker."

In addition to the mobility aspect of the service, Globalstar will also provide fixed-network access. The company expects that 70 per cent of its call traffic will be mobile originated.

Globalstar has lined up three handset manufacturers: Ericsson of Sweden and Telital of Italy who will make "dual-band" GSM-Globalstar phones, and Qualcomm of the US which will make "tri-band" portable handsets which incorporate two US-based cellular standards – AMPS and IS-95 – along with the Globalstar satellite capability. Other handset vendors are expected to be design licensed models in the future.

The phones will sell for about $1,000, according to Globalstar.

Globalstar will specifically target business facilities in remote locations such as agricultural companies, mining and timber camps as well as payphones installed in rural areas which may not yet have a good telecoms infrastructure.

Mr Schwartz said there was potential for Globalstar to reduce call prices over the medium term but stressed that it would be a commercial decision strictly for its service provider partners.

Globalstar will be acting as an airtime wholesaler, or "carrier's carrier".

"Our system is designed to handle between 6m and 9m potential subscribers at any given time," Mr Schwartz added.

Through its chain of terrestrial cellular service providers, Globalstar will focus on the consumer marketplace, with call prices of about 65 cents to $1 a minute.

Last year, Globalstar was in talks with US-based LunarCorp, which was proposing to put a "moon rover" on the lunar surface for commercial and research purposes. LunarCorp needed communications relay capabilities back to Earth, Globalstar says the concept is technically possible. Three satellites would be put into orbit around the Moon and another would serve as a relay satellite. Three satellites would give full lunar coverage.

Satellite systems may find a use even further out of this world as a means whereby missions to other planets can keep in touch. Recent speculation that the US space agency, Nasa, is to start serious exploration of Mars may herald fresh opportunities.

Mr Schwartz remains sanguine about the prospects for the global satellite marketplace. "There's plenty of room for all of us to succeed," he says. "There are 20 or 30 million potential subscribers for this type of service on a worldwide basis. This is the first wave of the next wave in personal communications."

**Paul Quigley**

PROFILE
ICO

# Cellular connection link is a vital element in strategy

While its competitors put the finishing touches to their mobile satellite systems, ICO Global Communications, a company spun off from marine communications consortium Inmarsat, has yet to launch its first satellite.

So has ICO missed the boat? Fredrik Verkroost, chief commercial officer, thinks otherwise and claims the market for global mobile satellite services has sufficient growth potential to support several operators, including ICO which will not start its service until 2000.

"If you look at the capacity that will be made available by all these mobile satellite systems it will only cover a fraction of the market," he says. "There is lot of room."

He compares the mobile satellite market today with the advent of cellular communications. "Ten years, ago no-one would have predicted the cellular market would have grown as fast as it has."

A concept model of ICO's satellite mobile phone

The cellular connection is key to ICO strategy, because its 60 investors include big telephone companies such as BT, France Telecom, Telefonica and Deutsche Telekom, as well as cellular operators such as T-Mobil of Germany.

According to Mr Verkroost, these investors bring to ICO a "captive base" of 55m cellular customers to which ICO can market "global roaming" as a premium service for those parts of the world – about 80 per cent of its surface – that conventional roaming agreements between terrestrial cellular network operators cannot reach.

Mr Vekroost predicts that about 3 per cent of its 55m "captive" customers could be convinced to buy a dual-mode ICO handset.

This would allow them to use an existing cellular service where available and switch to ICO's satellite-based system in remote areas or those with an incompatible cellular network. The latter point is an important one for globetrotters. Today, the only way to roam freely across different cellular networks is by having a separate phone for each of the three main cellular standards in the world: AMPS in the Americas, GSM in Europe and south-east Asia, and a third standard in Japan.

As a foretaste of how its satellite-based system might work, ICO last month unveiled a service that allows GSM customers to make and receive calls on AMPS networks without changing their home cellular number. The service is offered through the customer's existing GSM cellular network operator and charges incurred on the AMPS network are billed to the customer's regular cellular invoice. The big drawback is that the GSM customer must still buy or rent a second AMPS-compatible cellular handset to actually use the AMPS network.

ICO will have to wait until its satellite network is operational in 2000 before offering true satellite-based roaming using just one dual-mode handset.

Mindful of the lead that Iridium and Globalstar have in reaching the cellular roaming market, ICO is also targeting more specialised markets such as fishing fleets or remote exploration, where ICO's parent, Inmarsat, already has a good track record.

Another niche market is providing pay phones in remote regions where conventional landline networks do not reach. ICO recently signed a contract with Landis and Gyr Communications, a leading payphone manufacturer, to supply fixed village payphones for use in parts of Africa, Asia and Latin America.

Another potential market is providing communications to trucking fleets. "We envisage a quite diverse mix of 'revenue minutes' filling the capacity of our satellites," says Mr Verkroost.

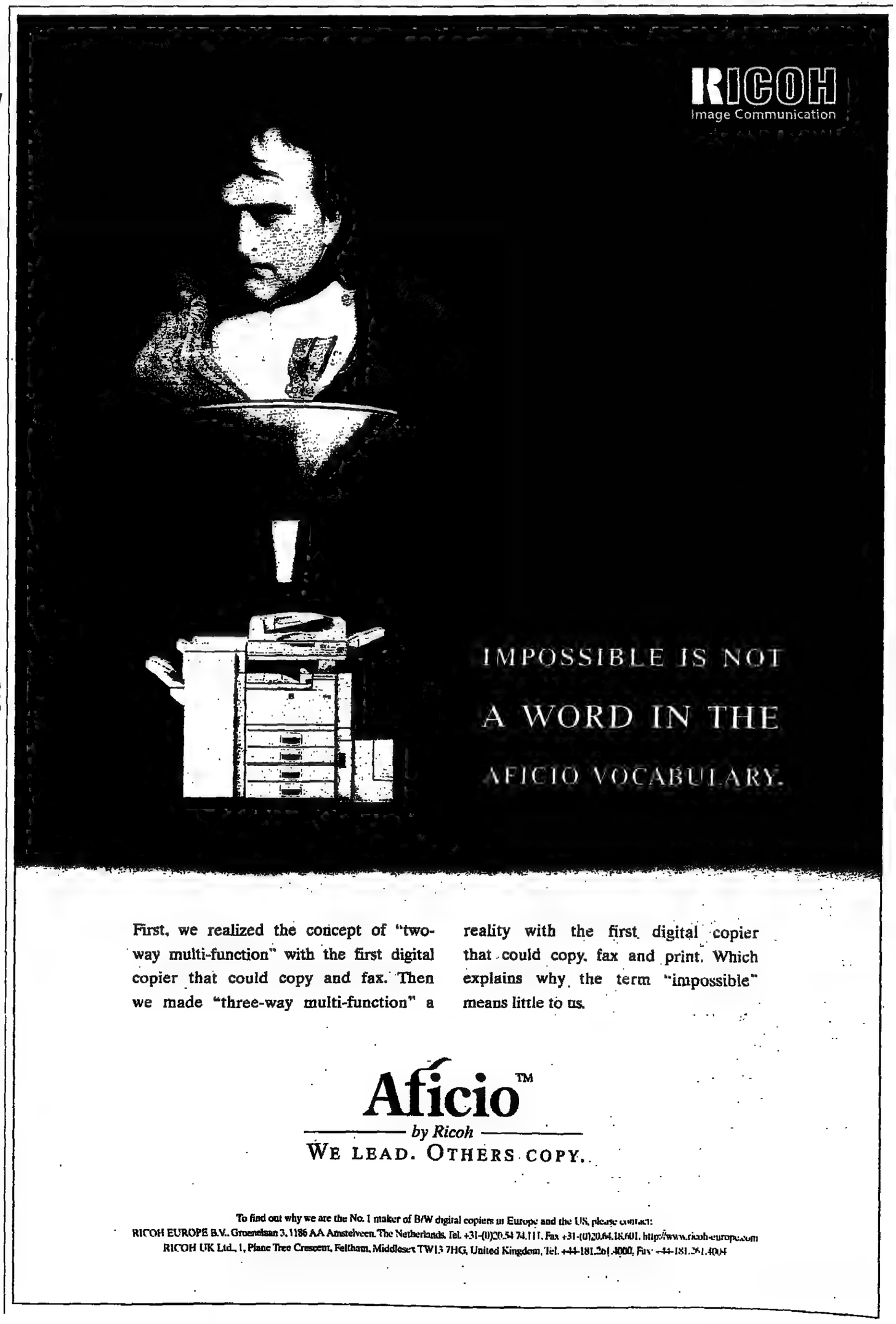
ICO was set up in 1995 by Inmarsat to create a global satellite-based personal communications service. Unlike Inmarsat's traditional geostationary (Geo) satellites – which remain fixed over a particular point of the globe and whose coverage is thus limited geographically – ICO's 10 satellites will slowly circle the earth in a lower Medium Earth Orbit (Meo), providing users with truly global coverage.

Nevertheless, the technology in the Meo satellites is similar to traditional Geo satellites and the ICO system thus promises to be simpler to build and operate than Iridium's complex network of fast-moving Low Earth Orbit (Leo) satellites, for example.

Whatever, the pros and cons of ICO's technology, the company has the benefit of its Inmarsat parentage and its deep-pocketed members – particularly important given the poor response to ICO's initial public offering this summer.

ICO had hoped to launch its first satellites before the end of 1998 but the industry has suffered a catalogue of launch disasters and as of last month ICO was unable to give a definite date for its maiden launch. Mr Verkroost was, however, confident the first of its 10 "birds" would get airborne before March 1999.

Geoff Nairn

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**SATELLITES** by Geoff Nairn

# Sector is reinventing itself for the next millennium

*Ambitious new satellite companies have spurred established operators to recognise the dramatic changes occurring in the industry*

Satellite communications are enjoying a renaissance and while the new hand-held satellite phones make most of the headlines, they are just one facet of an industry that is busy reinventing itself for the next millennium.

At least a dozen new satellite operators have lodged plans to offer personal communications from hand-held terminals during the next five years. The most advanced are the global operators Globalstar and Iridium – the latter was due to start operation this month – but there are many less familiar projects.

Some, such as Ellipso or ICO Global Services, have similar global ambitions to Globalstar and Iridium. Others, such as Asia Pacific Mobile Telecommunications or Ecco are strictly regional affairs, which makes them cheaper and easier to build.

A larger third category consists of the so-called "paper satellites" – those that have yet to attract funding or sign contractors.

These new systems mostly use "constellations" of smaller satellites in low earth orbits (Leos). This makes them cheaper to build and launch than the "geostationary" communications satellites of traditional operators such as Panamsat or Intelsat.

Another advantage is that Leo satellites can capture signals from low-powered handsets with small antennas – a big improvement over the briefcase-sized equipment needed for traditional satellite phones.

The first satellite constellations will offer voice and low-speed data services, but they will soon be followed by bolder broadband satellite schemes designed to offer high-speed Internet access and multimedia services.

"These new satellite services promise ubiquitous, unwired access to high bandwidth on a global scale," says Greg Caressi, an analyst with Frost and Sullivan. The US consultancy predicts the cumulative investment in this new generation of broadband satellites could reach almost $19bn by 2004.

The boldest broadband system is Teledesic, backed by telecoms pioneer Craig McCaw and Microsoft chairman Bill Gates. It hopes to launch the first of its 288 Leo satellites in 2001 and predicts the system will be operational a year later.

The $9bn Teledesic project once seemed an impossible undertaking but its chances of success are growing, especially now that it has backing from Boeing and Motorola. The latter recently abandoned plans for its own broadband satellite system to join Teledesic.

**Intelsat launched the first commercial communications satellite in 1965**

The arrival of these ambitious new satellite operators has forced established operators to recognise the dramatic changes occurring in the satellite communications industry. To their critics, the traditional treaty-based operators, such as Inmarsat and Intelsat, are relics from a bygone age. Born in an era of government-controlled telecoms and national monopolies, these lumbering giants risk being left behind in today's era of rapid technological advances and flourishing competition.

Intelsat launched the first commercial communications satellite in 1965 and today has a fleet of 19 satellites in geostationary orbit providing voice, data and video services to the world. It has tried to move with the times and enter new markets such as carrying international Internet traffic, where it claims its geostationary satellites have advantages over other methods.

It is, for example, testing a satellite-based Internet "multicasting" service that duplicates content from popular Internet sites on local servers around the world, thus reducing the wait for international Internet users. But despite such initiatives, Intelsat is often accused of living in the past and its desire to change is held back by its not-for-profit status and an unwieldy ownership shared among 140 governments.

"Intelsat operates in a commercial market with a structure that prevents us from being an agile competitor," admits Conny Kullman, Intelsat's director-general.

Within Intelsat's diverse membership, there is a strong current led by the US pushing for its privatisation. Mr Kullman accepts the need for Intelsat to be restructured along commercial lines but wants the pace to be set by Intelsat rather than imposed by the US, which is threatening anti-trust measures if the privatisation process moves too slowly.

As a first step, US federal regulators last month proposed ending the monopoly that Comsat – Intelsat's US franchise operator – has in selling Intelsat capacity in the US. Panamsat, the large private US satellite operator, praises the move saying it would create a "business environment that will place Intelsat and its private competitors on a more equal footing."

Inmarsat, the treaty-based maritime operator, has a similar history and structure to Intelsat and faces the same challenges, including privatisation in 1999.

For many years Inmarsat has offered an expensive satellite phone service using geostationary satellites and bulky terminals. With the arrival of Iridium and similar global mobile phone services, Inmarsat's traditional technology suddenly looks very dated. It has therefore spun off a company, ICO Global Service, to launch a modern system based on hand-held phones and low earth orbit satellites. Unfortunately, it will not be operational until 2000.

The third of the treaty-based satellite operators is Eutelsat, owned by the telephone companies of 47 European countries. It has traditionally specialised in TV applications but is entering new markets, such as Internet access and mobile voice services.

One of its recent successes is its Euteltracs satellite tracking service, which is used by European haulage companies to keep track of 20,000 vehicles and transmit short messages. It has now been enhanced with a phone service, called Emsat, that allows truck drivers to make and receive calls via the Euteltracs satellite link.

Lauren Vandebrouck, Eutelsat's head of mobile communications, claims Emsat provides better coverage than cellular networks within the satellite's "footprint" – an area stretching from the Mediterranean to the Urals. He believes Emsat could also appeal to a wider market, such as providing mobile communications to companies or non-governmental organisations working in remote parts of Europe where cellular networks do not reach.

The service was due to be launched at the beginning of this month and according to Eutelsat should cost $1.50 a minute – making it considerably cheaper than Iridium. The disadvantage is that the Emsat terminal has to be mounted in a vehicle.

PROFILE
**INMARSAT**

# Success story is set for fresh, privatised chapter

Khadem: 'It'll be no different than a normal company'

For more than 20 years, the conduit for survival after catastrophe at sea – and many other remote locations around the globe – has been the service provided by the International Mobile Satellite Organisation, formerly the International Maritime Satellite Organisation – Inmarsat.

Founded as an inter-governmental body in the late 1970s, Inmarsat is a success story which often goes unlauded and unnoticed, but is ever-present.

If yachts, ships, cruise-liners, aircraft or explorers get into difficulty, they tend to bank on Inmarsat's ubiquitous global coverage to convey their "SOS" message back to civilisation.

The impact of liberalisation and of new technologies sweeping across the industry internationally has, however, forced the organisation to re-evaluate its rationale and financial well-being for the future.

At an extraordinary general meeting held on the Greek island of Rhodes in September, Inmarsat's 84 member countries unanimously decided to privatise.

Members of Inmarsat range from industry behemoths such as Comsat of the US, Deutsche Telekom, France Telecom, Telia of Sweden, Britain's BT, and KDD of Japan through to Australia's Telstra, Russia's Morsviazputnik, Korea Telecom and tiny Sonatel of Senegal.

Warren Grace, director-general of Inmarsat, said: "Inmarsat will now be the first inter-governmental to restructure itself into a private company."

Ramin Khadem, chief financial officer at Inmarsat, said going public was the right move.

The Rhodes meeting, which was composed of parties who had signed the Inmarsat convention, agreed to privatise as soon as possible.

Privatisation will take effect on April 1 next year, with an initial public offering (IPO) expected within two years – probably on both the Nasdaq and London Stock Exchanges. Inmarsat wants access to the world's capital markets to aid future expansion plans in a market fiercely contested by a tranche of insurgent satellite network carriers.

Mr Khadem said the seeds of privatisation were sown when the organisation spun off its hand-held satellite phone division, Inmarsat-P (now called ICO) back in 1994. "At that time, it was clear that the only way forward [was through a public company structure] and that we [would have to] sell the concept to our signatories."

From next April, the 84 members will become shareholders in Inmarsat Holding, and will vote for nine board members on a cumulative voting basis. There will also be three regional representatives from developing countries, a chief executive, and one independent director.

"It'll be no different from a normal company," Mr Khadem stressed. "They'll be electing a fiduciary board which will be solely concerned with what's good for the company as a whole rather than any one shareholder."

Public services obligations, such as Inmarsat's existing "safety at sea" distress maritime "SOS" services will continue free of charge.

Part of the newly-privatised company's articles of association stipulate its responsibility to continue such essential public safety activities. Inmarsat will retain a small inter-governmental secretariat looking after public services obligations, meeting the needs of the global community.

Inmarsat's fundamental financial position is sound. With cash-flow riding at an all-time high of $300m a year, and earnings before interest, tax, depreciation and amortisation standing at 75 per cent, a newly-privatised Inmarsat will be a strong competitor in the growing satellite network service marketplace.

Being veterans in the industry is, for once, a blessing rather than a burden. Not only will Inmarsat be seeking new customers in new market segments, but also, it can rely on a steady revenue stream from its historical maritime and commercial land-mobile "cash-cow" community.

Once Inmarsat has secured a new stream of financing, the company says it will focus on high-speed data services to very small terminal devices. "There have been a number of studies done on appropriate business cases," said Mr Khadem. He said the investment levels were expected to be "chunky", so new capital will be required.

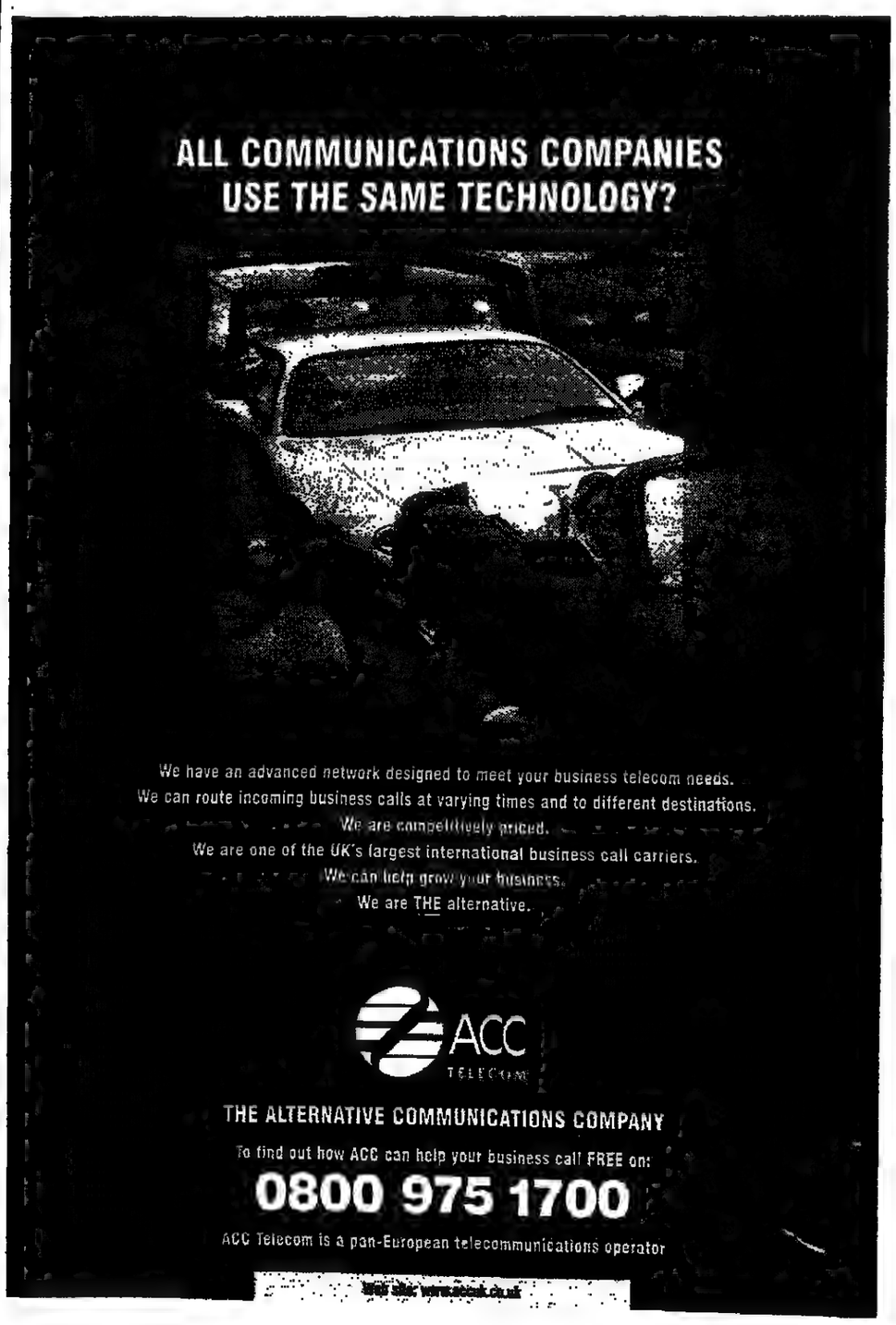
He said the company would use its existing infrastructure to support new systems. The aim would be to create greater shareholder value.

Until such a time as Teledesic – a low earth orbit system backed by Craig McCaw, the US entrepreneur who sold McCaw Cellular, the leading US cellular operator to AT&T, Bill Gates, Microsoft's chairman, Boeing and Prince Alwaleed of Saudi Arabia – becomes a commercial reality, Inmarsat looks set to assume the mantle of the de facto "Internet-in-the-sky".

Mr Khadem said: "What will distinguish us is that we've got a significant track record of success over many years; we're generating cash-flow; and moving in the direction of high data rates. That's the niche market we're looking at – as well as leasing our capacity, possibly, as another avenue."

**Paul Quigley**

Remote locations: Inmarsat mini-M phone in the Falkland Islands

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A round-up of the telecoms industry: **Joia Shillingford** takes a look at the news, reviews and forthcoming events

TELECOMS FUTURES

# DSL offers more options for high-speed data

As demand for high-speed access grows, symmetric digital subscriber line will become increasingly available. Trials and pilot schemes are already under way

Today, the options for sending high-speed data for video-on-demand, interactive services or access to the Internet are limited. Choices include painfully slow analogue dialup, complex ISDN, cable modems connected to a cable TV network, or expensive leased lines.

But there is another alternative – symmetric digital subscriber line (DSL) network access.

This is a modem-like technology that allows digital data to be sent quickly over standard copper phone wires. DSL technology is here but has not been made widely available for several reasons. The main one is that because DSL technology provides a low-cost, high-speed alternative to profitable leased lines, telecoms operators (telcos) with access to the local loop (the last mile into the customer's home) have been afraid of cannibalising their existing business.

Also, it has been difficult for newer telcos to offer DSL because it requires access to the local loop, which they typically do not have.

"However, with the growing demand for high-speed access, this technology will increasingly be available and marketed to businesses and consumers," says Marianne Steiner of MCI WorldCom's business markets division in the US.

In the US, according to UK Internet company i-way, "there is a lot of copper and relatively little fibre so users are keen to achieve high-speed data from their existing infrastructure."

In Europe, Deutsche Telekom has launched a high-speed asymmetric digital subscriber line (ADSL) pilot and hopes to follow it up with a national roll-out and have several tens of thousands of customers by early next year. ADSL is a variant of DSL.

However, in most European markets, ADSL trials have been very limited. Some US companies such as MCI WorldCom are lobbying the European Commission to get incumbent operators to unbundle the local loop – which would allow them to lease capacity into the customer's home and offer data services such as DSL more widely.

In the UK, BT has ADSL technology, but is only using it in customer trials. i-way, an Internet service provider, is one of the three participants involved in the trial, which covers 20 exchanges in north and west London.

The term "xDSL" refers to any number of DSL technologies, including ADSL, HDSL, IDSL, RADSL, SDSL, and VDSL. Essentially, telcos offering xDSL replace the conventional analogue switching equipment used to connect voice calls with digital modems called DSLAMs

A DSLAM (or Digital Subscriber Line Access Multiplexer) uses digital subscriber line and asynchronous transfer mode (ATM) or TCP-IP technologies to deliver high-speed data rates over the existing copper network. Like using a modem, xDSL requires a device at each end of the line which accepts digital data and overlays it onto a high-speed analogue signal.

In the case of the i-way trial, the only equipment the user needs to buy is an Ethernet card for their PC.

ADSL allows the transmission of data at up to 8 megabits a second to customers and up to 768 kilobits a second from customers.

In Germany, because most customers are near a local exchange, speeds of 6 mbps are possible as opposed to a more typical speed of 1.5 mbps in the US.

I-way is offering two megabits a second to the customer and 256k from the customer.

DSL connections are "always on" or "always connected". This means users do not need to dial up each time they want a connection to the network.

MCI WorldCom's Internet subsidiary UUNET says DSL is suitable for teleworking, intranets (corporate internets), database sharing, videoconferencing and other applications.

THINK TANK

# Telcoms operators 'lag IT companies'

Information technology companies such as IBM, Cisco and Microsoft, have product integration and marketing skills which are way in advance of most telecoms operators, according to a new report from UK-based telecoms consultants Analysys.

In fact, Susan Ablett, the report's co-author, says: "IT companies are winning the battle with telecoms operators (telcos) to service the information and communications technology requirements of small and medium-sized enterprises (SMEs).

"They have grasped that complete solutions, taking advantage of converging technologies, are the way forward in this market," she adds. "In particular, IT companies are good at selling products such as routers and local area networks as part of a package that could one day include telecoms capacity."

The report – *Marketing Telecoms to Small and Medium-sized Businesses* – highlights the importance of the SME market as an engine of global economic growth. It concludes that IT companies rather than telcos are successfully targeting the sector, which accounts for 99 per cent of companies – about 30m – in the US and Europe.

"Because of this," says Ms Ablett, "o.tel.o, the German telco, is looking to sell its telecoms services through IT distributors. An alternative strategy is for telcos to act as systems integrators, solving business problems, through alliances with makers of network hardware, such as IT or telecoms equipment companies."

Ms Ablett says: "It is imperative that telcos compete vigorously to gain market share in the SME sector. If IT companies and Internet service providers become the first port of call for small and medium-sized business, telcos could lose brand recognition in this sector."

The report includes case studies of how telcos, Internet service providers and IT companies market their services to SMEs. It says that for telcos to prosper in this market they must:

- Make the change from the existing "high-touch [face-to-face contact]/high-cost" business model to one which combines the responsiveness of high-touch with a low-cost approach, such as selling over the phone or via the Internet;
- Ensure that their organisational structure supports their focus on SMEs;
- Get better at segmenting the SME market;
- Put customer requirements before their own convenience by creating special packages that address SME business problems.

"If they fail, they will face a gap in revenues," predicts Ms Ablett, "because profit margins on basic services are under pressure." She says the companies which are getting their SME strategy right include Sonera, Telecom Eireann and MCI WorldCom.

BACKCHAT

# Internet overload problem spreads to Europe, Asia

Heavy use of the Internet is swamping some phone networks – and US telcos are already spending millions on the search for a solution

Internet congestion could be coming soon to a phone network near you. In the US, the problem has become so bad that some calls to the emergency services have failed to get through.

"Instead of being able to report that their house is burning down – or worse – callers have been greeted by a busy signal," says Jack Zatz, director, network performance solutions at research, consulting and engineering company Bellcore.

US telecoms companies are spending hundreds of millions of dollars every year to fix the problem retroactively, according to Mr Zatz.

He says: "Some operators in Asia-Pacific and Europe are already starting to experience the problem.

"At first, they notice that something is wrong with their switches but don't know why," comments Mr Zatz. "Then, they realise that the congestion is due to heavy use of the Internet."

"One of the problems," adds Mr Zatz, "is that Internet use follows a different pattern to voice calls. A typical voice call last three minutes, whereas a typical Internet call lasts 20 minutes – or even several hours. And whereas most voice calls are made during the day, 7-11pm is the peak time for logging on to the Internet.

"The problem is fundamentally bursty data traffic, which is Internet traffic being carried on a circuit-switched voice network. Phone networks weren't designed for long-holding-time calls."

A number of US telcos commissioned US-based Bellcore, which is often involved in standards setting, to look for a solution to the problem. So Bellcore has formed the Internet Traffic Engineering Solutions Forum (ITESF), chaired by Mr Zatz.

ITESF members include France Telecom, Telstra of Australia, Ameritech, Bell Atlantic, BellSouth, Cincinnati Bell Telephone, GTE Communications Systems, NTT (Japan), Southwestern Bell Telephone, Sprint, Stentor-Bell Canada and US West.

Mr Zatz believes there is a low-cost solution to the problem if operators catch it in time. He says they can use the caller ID functions inherent in many of today's networks to sift out calls destined for Internet service providers and off-load them at the ingress switch [the first switch the call reaches].

This fix will work on networks which have added intelligent network platforms in order to provide value-added services, or comply with requirements for (phone) number portability.

Telecoms equipment companies such as Nortel and Lucent and data networking companies such as Cisco and Ascend Communications have also joined the ITESF.

The data networking companies know that if they can find good solutions to the network overload problem that will help them sell their products to telecoms operators. The next ITESF meeting to help solve the network overload problem will take place in San Diego early next month.

Network overloaded? Try a hand-held satellite phone. Al Gore, US vice-president, made the first official phone call on the Iridium system from the White House Rose Garden on November 1


This announcement appears as a matter of record only.

TELEWEST COMMUNICATIONS

Telewest Communications plc
merger with General Cable PLC

Pre-emptive issue by way of
open offer of
260,665,436 new Telewest shares

£914 million

Schroders acted as financial adviser
to Telewest Communications plc

UK September 1998

中国电信 CHINA TELECOM

China Telecom (HK) Ltd.
acquisition of
Jiangsu Mobile Communications
from its parent company

HK$22,475 million

Schroders acted as financial adviser
to the Independent Board Committee of
China Telecom (HK) Ltd.

China June 1998

BT

British Telecommunications Plc
acquisition of
23.49% of LG Telecom Ltd.

Won 521,900 million

Schroders acted as a financial adviser
to British Telecommunications Plc

South Korea October 1998

Avantel

Avantel, S.A. (Mexico)
Limited Recourse Credit Facilities

US$467 million

Schroders acted as financial adviser
to the Export-Import Bank of the
United States for its US$292 million tranche

Mexico April 1997

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AGENDA

# Dates for your diary

**November:**
Oftel statements on access services for digital TV, cost recovery for carrier pre-selection and payphone regulation.
Consultative documents on licence fees, indirect access from mobiles, proposals for publishing information on complaints received by Oftel, mass market access to services requiring higher bandwidth, proposed roll-out obligations for fixed-radio access operators.
Other November publications include: Competition Bulletin; Market Information Update; Determination on Interconnection of Calls between Northern Ireland and the Republic; and on Interconnection Charges for Number Translation services. PR Lorien will publish Comparable Performance Indicators.
**November 19-20:**
IDATE (institut de l'audiovisuel et des telecommunications en europe) International Conference 98 on Convergence: is it working? (Nov 19) and Internet: a new economic deal (Nov 20): in Montpellier, France. Tel: +33 (0) 4 67 14 44 44 or fax +33 (0) 4 67 14 44 00.
**November 23-24:**
One Network: Global Network Strategies: (Heathrow, London). The Yankee Group Europe. Tel: +44 (0)1923 246511 or fax +44 (0) 1923 247566.
Performance Engineering in Mobile Networks: (Paris). Vision in Business and Sircom Tel: +44 (0)171 839 8391 or fax +44 (0)171 839 3777.
**November 25-27:**
Converged Fixed & Mobile Services: (London). Centre for EuroTelecomms. Tel: +44 (0)171 827 5945 or fax +44 (0)171 242 2320
**November 26-27:**
GSM Africa: (Cape Town, South Africa). IBC Global Conferences. Tel: +44 (0)171 453 5495 or fax +44 (0)171 636 1976.
**November 30-December 1:**
Digital PMR and PAMR: Centre for EuroTelecomms. Tel: +44 (0)171 827 5945 or fax +44 (0)171 242 2320
Call-by-call & Carrier pre-selection: (London). SMI Conferences. Tel: +44 (0)171 252 2222 or fax +44 (0)171 827 6051
**November 30-December 2:**
European Telecoms Regulation & Competition Law: (London). Vision in Business Tel: +44 (0)171 839 8391 or fax +44 (0)171 839 3777.
Recruitment, Retention & Pay in Telecoms: (London). Vision in Business Tel +44 (0)171 839 8391 or fax +44 (0)171 839 3777.
**December:**
Oftel will publish its Towards Better Telecoms for Customers 1998 report; its Consultative Document on Fixed-Mobile Integration; the Final IPLC Determination for 1995-96 and 1996-97; BT's Standard Services: Determination of Final Charges Apr-Sept 97 and the Determination of CTI's windloading charges.
**December 1-2:**
FT World Telecommunications Conference: (London). Financial Times Conferences Tel: +44 (0)171 873 3759 or fax +44 (0)171 873 3067.
Intelligent Networks in the Mobile Environment: (London). IBC Global Conferences Tel: +44 (0)171 453 5495 or fax +44 (0)171 636 1976.
**December 1-3:**
European Number Portability: (Paris). Vision in Business Tel: +44 (0)171 839 8391 or fax +44 (0)171 839 3777.
**December 7-9:**
Internet Protocol (IP) Virtual Private Networks for Telcos and Internet Service Providers: (London), Vision in Business Tel: +44 (0)171 839 8391 or fax +44 (0)171 839 3777.
**December 8-10:**
Online Information 98: (London). Learned Information Europe Tel: +44 (0)1865 388000 or fax +44 (0)1865 736354.
**December 8-11:**
IP/ATM/SDH & Wave Division Multiplexing: (London). Vision in Business Tel: +44 (0)171 839 8391 or fax 171 839 3777.
**January 1999:**
Intranets Roadshow: (five European cities). The Yankee Group Europe. Tel: +44 (0)1923 246511 or fax +44 (0)1923 247566.
**January 5-22:**
One Network: (London, Paris, Madrid, Milan, Amsterdam, Dusseldorf). The Yankee Group Europe Tel: +44 (0)1923 246511 or fax +44 (0)1923 247566.
**January 11-13:**
Migrating Towards a Single Voice & Data Infrastructure: (London). Vision in Business Tel: +44 (0)171 839 8391 or fax +44 (0)171 839 3777.
**February 21-23:**
Mobile Billing '99: (Cannes). IBC Global Services Tel: +44 (0)171 453 5495 or fax +44 (0)171 636 1976.
**February 23-25:**
1999 GSM World Congress: (Cannes, France). IBC Global Services Tel: +44 (0)171 453 5495 or fax +44 (0)171 636 1976.

NEWS IN BRIEF

## Nokia to supply fixed mobile network for Singapore

StarHub of Singapore, a joint venture between ST Telemedia, Singapore Power, NTT of Japan and BT, has ordered a fixed-mobile solution from Nokia of Finland worth about S$100 million.

For StarHub's mobile network, Nokia will supply a complete GSM 1800 network including radio access, base station controllers, a DX200-based switching subsystem and Artus messaging platform.

For the V5-compatible fixed network, Nokia will be supplying international gateways, transit switches and local switches.

The company says integrated network management "will bring a significant decrease in operating costs" for StarHub, which will start operating commercial services on 1 April 2000.

### MCI WorldCom opens European centre

MCI WorldCom's pan-European network control centre will be formally opened by Martin Bangemann, member of the European Commission, in Amsterdam on November 24.

From the centre, MCI WorldCom manages voice and data services, its UUNET Internet service and its Amsterdam Metropolitan Area Network.

### $100m high-speed network for Ireland

Ocean, the communications business of the Electricity Supply Board of Ireland (ESB) and BT, has signed a $108m agreement with Lucent Technologies. Lucent will install a high-speed and optical transmission network for voice and data that will link Dublin, Belfast, Cork, Limerick and Waterford.

Ocean will provide customers with a range of services including leased lines, asynchronous transfer mode and, in early 1999, managed Internet Protocol services.

### ITU sets up new web site to boost debate

The International Telecommunications Union (ITU) has set up a new web site to encourage debate on regulatory issues.

Users, including those from developing countries, will be able to look at the ITU Regulatory Colloquium's reports free and at other expert opinions. Weekly electronic mail updates will present a digest of the forum's discussions.

The web site at www.regulate.org/ is funded by the World Bank and run by telecoms consultancy Analysys and rural and development telecoms specialist Intelecon.

The eighth ITU Regulatory Colloquium takes place in Geneva in December.

### All you need to know about interconnection

Interconnect Atlas, another new Internet web site, contains detailed information on the terms and conditions of interconnection with incumbent telcos in 12 European countries. It will be upgraded to include interconnection details for all 18 countries in the European Economic Area.

The site – www.analysys.com/atlas/ – is funded by the European Commission (DGXIII) and produced by Analysys.

### IVR technology aids self-service cable

UK cable television and telephony company NTL is using interactive voice response (IVR) technology from Syntellect to give customers self-service access to Front Row Movie data, channel pricing, fault reporting, transfer to sales, and account information.

The system provides a "data-pop" at the desktop of the call centre representative with information collected from the IVR and host computer.

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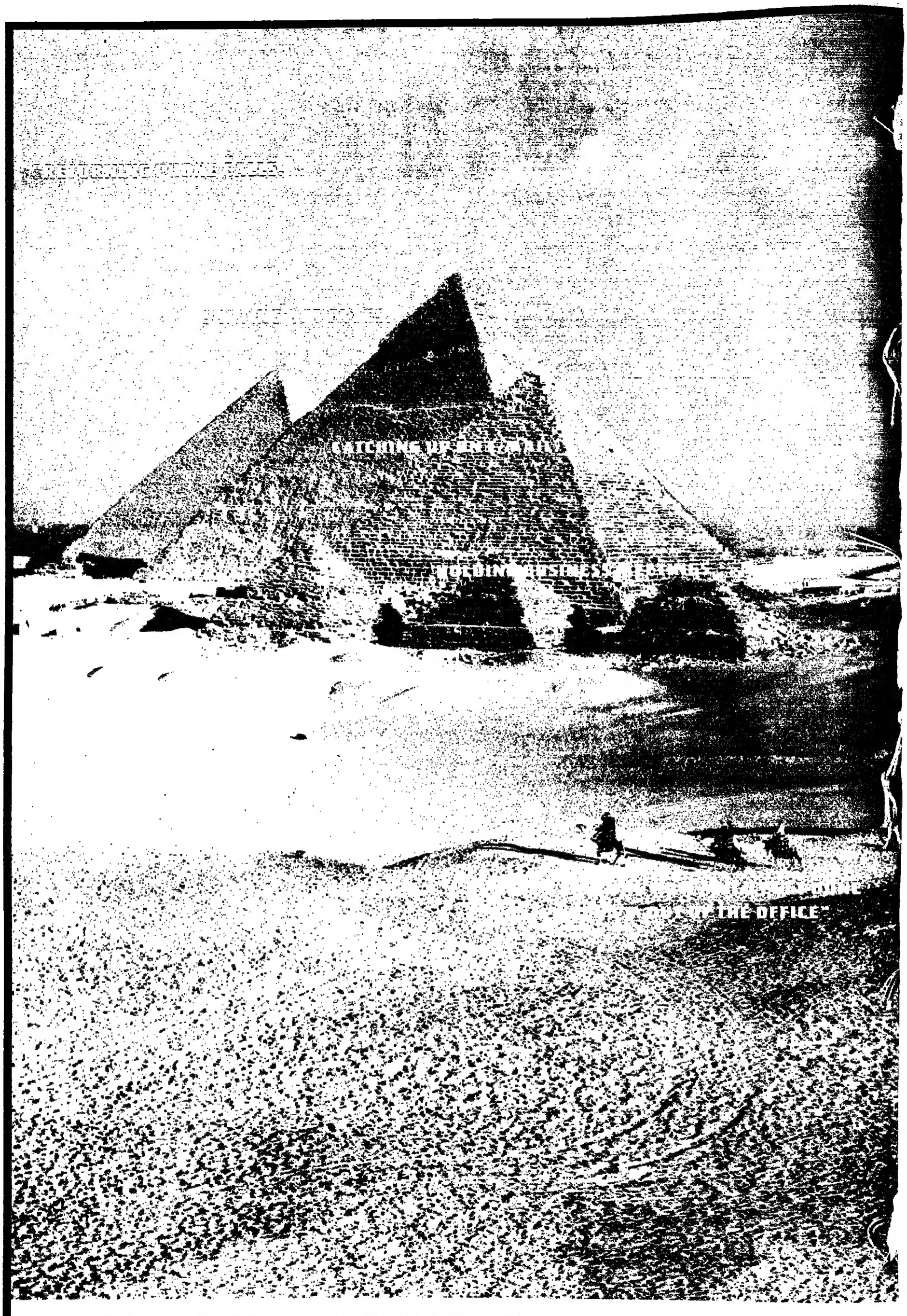
REUTERS

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